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11 February 1985

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON REMOLDING ECONOMIC MODEL

HK220840 Beijing JINGJI YANJIU in Chinese No 12, 20 Dec 84 pp 16-24

[Article by Liu Guoguang [0491 0948 0342]: "Remolding the Model of the Economic Structure and Perfecting the Socialist System--An Understanding of the 'CPC Central Committee Decision on the Reform of the Economic Structure'"--written in November 1984]

[Text] The Decision on the Reform of the Economic Structure adopted by the 12th CPC Central Committee at its 3d Plenary Session is of great practical importance and far-reaching historic significance in guiding socialist modernization. The realization of the reform program laid down in the "decision" is bound to fundamentally change our existing socioeconomic model and make our socialist system even more perfect.

The Crux in the Present Reform Is the Fundamental Transformation of the Existing Economic Model

The reform of the economic structure now underway in our country has been unfolded step by step since the 3d Plenary Session of the 11th CPC Central Committee. The reform first attained breakthroughs in the rural areas. Now it is being spread to various aspects of the whole economic structure, with the focus on the urban economy. This reform is by no means a partial and minor improvement of certain links of the relations of production and the superstructure. Rather, it is complete and basic. In other words, it is an overall reform aimed at reforming "a series of interrelated links and aspects of the relations of production and the superstructure that are not suited to the development of the forces of production." But this reform does not mean changing the basic socialist economic system. It is a reform carried out "on the premise of adherence to the socialist system." If this reform is neither aimed at making minor improvements, nor aimed at changing the basic system, then how should the precise meaning of this reform be expressed? I think that the present reform of the economic structure should be understood as the remolding of the socialist economic model, that is, remolding the old economic model that is not suited to the needs of the development of the forces of production into a new model that is suited to this purpose. It is precisely from the high plane of the theory of changing the old model and establishing a new one that the "decision" of the 3d Plenary Session of the 12th CPC Central Committee tackles the present reform of our economic structure. In formulating the blueprint, outline, and orientation of the reform, the "decision" has in fact worked out a programmatic solution to the question of China's socialist economic model.



Since the remolding of the economic model is to be carried out on the premise of adherence to the socialist system, a few words need to be said about the relationship between the basic socialist economic system and the socialist economic model. When we speak of the basic socialist economic system, we are referring to the basic features that distinguish this system from other socioeconomic systems (the capitalist economic system, and the future communist economic system). As we all know, Lenin summed up socialism in two points, namely the public ownership of the means of production and distribution according to work. Later, the practice of the planned economy based on public ownership was added, but it was only a point derived from public ownership. Of course, the planned development of the socialist economy was also discussed in some classics. Apart from these, there is the idea of the commodity economy based on public ownership. This was once a controversial issue. Even the concept of a socialist commodity economy had been avoided for a long time. With the "decision" clearly indicating that the socialist economy is a planned commodity economy, this controversy has finally been settled. In short, the basic socialist economic system refers to something of a general character within the socialist system but which is different from other socioeconomic systems. The socialist economic model refers to different variations and types of economic models within the socialist economic system. On the basis of the same socialist relations of production, there can be different types of economic mechanisms. Whether in the structure of the ownership of the means of production, in the structure of economic policy-making power, in the economic regulatory system, in the form of economic encouragement, in the mode of economic management organization, or in the means and extent of worker participation in management, in all these aspects, differences are allowed. As proven by practice in various socialist countries, different models not only can but must be adopted within the framework of the basic socialist system. Since the October Revolution, socialist economic models that once existed or are still in existence roughly fall into the following categories: the supply-system of war communism, traditional centralized planned economy, the improved centralized planned economy, the planned economy that is organically combined with market mechanisms, "market socialism," and so on. Of course, the models listed here are merely theoretical classifications. The nature of actual economic structures is not quite as absolute and pure. They may be of intermediate types, transitional types, or mixed types, and may be in different stages of transition.

Under the socialist system, different models of the economic structure have existed objectively, and still do exist. Thus, the resolution of the 6th Plenary Session of the 11th CPC Central Committee pointed out: There are no fixed models for the development of the socialist relations of production. Our task is to create, at each stage, a specific form that suits the needs of the development of the forces of production in our country and can facilitate the developing relations of production. What was actually put forward in this resolution was the question of changing and remolding the model of the socialist economic structure. Further carrying forward this argument, the decision of the 3d Plenary Session of the 12th CPC Central Committee points out that the aim of the present reform of the economic structure is to bring about a radical change in the rigid economic structure that hinders development of the forces of production, and build a socialist economic structure with Chinese characteristics that is full of vigor and vitality. To solve the problem of a model for China's economic structure, we must first of all analyze the model of the original economic structure.

## An Analysis of the Model of China's Original Economic Structure

The "decision" points out that China's original economic structure has evolved to become a rigid model that cannot meet the needs of the growing forces of production. What is the nature of this model? How did it come about? What are its major characteristics and defects? In the following, I wish to discuss my personal understanding in regard to these.

As to the question of what model China's original economic structure should be classified as, the popular view at home and abroad in the past was that it was the "Soviet Model." In other words, it was modeled on the traditional, centralized planned economy. In my opinion, although China's original economic structure was, to a great extent, influenced by the traditional "Soviet model" or model of the centralized planned economy, it is not proper to equate it with the "Soviet model." Actually, there are four reasons why our original economic model formed as it did.

First, our lack of experience in managing the socialist economy after the founding of the PRC made it necessary for us to learn from the Soviet Union, which had established the first socialist economy. The Soviet experience has some things to recommend it. For example, it pays attention to the overall balance of the national economy, and acts strictly in accordance with procedures in capital construction. However, it is overcentralized, and management is mainly carried out through administrative means. It also restricts commodity production and overlooks the role of the law of value. Our economic structure was very much influenced by these defects.

Second, China had gone through protracted armed struggles in its revolution. Although the financial and economic work carried out in the revolutionary bases and liberated areas had played an important part in ensuring victory in the revolutionary wars, it also brought elements of the supply system into the economic structure formed after the founding of the PRC.

Third, in the transformation of private ownership, much was achieved by way of using, restricting, and transforming capitalist industry and commerce. But such restrictive measures as unified state purchasing and selling practiced during that time were also retained in the subsequent economic structure.

Fourth, in economically backward old China, self-sufficient production occupied a large proportion of the economy and the idea of a natural economy was firmly entrenched. When the "theory of natural economy" in political economics was imported, this simple idea of natural economy was further strengthened. This also exerted a profound influence on our economic structure.

The economic structure formed on the basis of the above historical factors was basically a traditional, centralized planned economy model, but it also reflected unmistakable elements of the supply system of war communism. The major characteristics of this model are as follows: The policy-making power in regard to economic activities is centralized by the state and enterprises do not have much decisionmaking power in management; economic plans are realized mainly through administrative decrees and the allocation of material goods, and the role played by market mechanisms is small; unified state allocations and unified collection of receipts is practiced in distribution. With the state assuming unified responsibility for profits and losses, enterprises eat from the "big pot" of the state, and employees eat from the "big pot" of enterprises.

Just after the founding of the PRC, when the level of economic development was low, the economic structure was relatively simple, and the aim of economic development was confined to the simple demands of strengthening the country and feeding the people, this overcentralized model of the planned economy, which had ingredients of the supply system, met the needs of the growing forces of production. Indeed, it played a positive role in mustering the limited financial, material, and manpower resources at that time for key projects of national construction, thus laying the initial foundation for China's socialist modernization. But, as pointed out in the "decision," this model has many defects, namely: No clear distinction was drawn between the functions of the government and those of the enterprises; barriers exist between different departments or regions; the state exercises excessive and rigid control over enterprises; inadequate importance was given to commodity production, the law of value and the regulatory role of the market; and there is absolute egalitarianism in distribution. This has dampened the enthusiasm of enterprises and workers, hindered the development of the commodity economy, and has often resulted in production being divorced from demand. This is also not conducive to technical advancement. As a result, the socialist economy is bereft of much of the vitality it should possess. It has been proven by historical experience that this model has not been too successful in raising productivity and improving economic results. When the socialist economy develops to a certain level, its economic structure and development objectives become much more complicated. Under such circumstances, an overcentralized model will have still greater difficulty meeting the needs of further developing the forces of production.

When China's original economic structure was still in its formative stage, that is, toward the end of the First 5-Year Plan period, the defect of excessive and rigid control gradually became manifest. The party Central Committee was aware of this, and put forward some tentative plans of reform. Comrade Mao Zedong pointed out in his important speech "On the Ten Major Relationships": "It is not right, I am afraid, to place everything in the hands of the central or the provincial and municipal authorities without leaving the factories any power of their own, any room for independent action, any benefits." Comrade Liu Shaoqi proposed in the political report of the Eighth CPC National Congress: "We must ensure that enterprises can exercise a moderate degree of autonomy under the unified leadership and unified planning of the state." Comrade Chen Yun also proposed in his speech delivered at the Eighth CPC National Congress the tentative plan that after the basic completion of the socialist transformation, China's economic management structure should have "three major parts and three supplements." (This meant that in industry and commerce, state and collective undertakings would constitute the major part of industry and commerce, whereas individual undertakings would constitute the supplement; in planning production, planned production would constitute the major part of industrial and agricultural production, whereas free production which catered to market changes and was permitted by state plans would constitute the supplement to planned production; in the socialist unified market, the state market would constitute the major part, whereas free markets which were led by the state within a certain framework would constitute the supplement to the state market.) These were directions and principles of reform aimed at doing away with the defects of the traditional overcentralized structure, and they were suited to the national conditions at the time. It was a pity that

they were not put into practice. Some of the things we did even ran counter to them. In some of the reforms carried out that 1958, the stress was put on the relationship between the central and local authorities. On the two occasions when there was a large-scale delegation of power to enterprises, the object was to expand local autonomy. The position of enterprises as appendages of administrative organs remained unchanged. For a long time before the 3d Plenary Session of the 11th CPC Central Committee was convened in 1978, erroneous "leftist" ideas held sway. The following negative changes took place during that time in our economic life and economic structure:

--On the question of ownership, diversified economic forms and various methods of management were rejected. The idea that the larger the size and the higher the degree of public ownership the better was advocated. We were also over-anxious to merge and upgrade enterprises, bring about "transition through poverty" and eliminate capitalist vestiges. As a result, the form of ownership became more and more unified.

--On the question of economic policy-making, the structure of policy-making power became more and more centralized due to the integration of government administration with commune management in the rural areas. With this, the collective economy in cities and towns came under local state management, the lack of distinction between government and enterprise functions in state-owned enterprises became more manifest, administrative control by state organs over economic affairs was strengthened, and administrative mobilization played a more and more important role in economic movements.

--On the question of economic regulatory mechanisms, the expansion of the scope of unified allocation and distribution of products and the scope of rationing and supply according to quotas further rejected commodity-money relations and market mechanisms. As a result, economic relations became more barter-like in nature.

--On the question of wages for labor, the further restriction and control of the flow of labor power and population, the prolonged wage freeze, the repeated criticism of "putting bonuses in command," the negation of the principle of to each according to his work under the pretext of criticizing bourgeois rights, and the strengthening of the systems of "everybody eating from the same big pot" and "iron rice bowl" all contributed to the intensification of egalitarianism in distribution.

--On the question of economic organization, because we tried to resolve the contradiction between centralization and decentralization by delegating power to enterprises at one time and taking it back at other times, dozens of local and departmental centralized-type subsidiaries were formed under the overall centralized system. Thus the economic organizational structure became more closed and isolated.

In short, the above changes that took place after 1958 and before the convocation of the 3d Plenary Session of the 11th CPC Central Committee did not change the basic model of the traditional overcentralized economic structure. Rather, they had increased the ingredients of the supply system of war communism in the structure. The result, as pointed out in the "decision," was that "the

problem of overconcentration in the economic structure long remained unsolved and, what is more, became more and more serious.... We therefore failed to break with outmoded conventions." In other words, we failed to free ourselves from the shackles of the outmoded model. Only by fundamentally changing this rigid model that fetters the needs of the growing forces of production and building a new economic structure with Chinese characteristics that is full of vigor and vitality can China's economy really take off. Only in this way can the grand task of socialist modernization be fulfilled without a hitch.

#### The Theory of Establishing a New Model of the Economic Structure and the Necessary Understanding Required as a Premise

Apart from the historical causes discussed above, there are mainly two ideological causes for our original rigid structure. First, we lacked a scientific concept of socialism. Second, we lacked a sober understanding of the basic conditions in our country. In order to build a new socialist economic model with Chinese characteristics, we must first of all clarify the many misconceptions about socialism on the theoretical plane, and gain a clear idea about our basic national conditions.

Regarding the concept of socialism, the "decision" noted: "Certain rigid concepts of socialism developed over the years that were not in keeping with the actual conditions in China." Major concepts of this type were: Seeing socialist ownership as a pure and unitary economic form which improves as it grows larger and attains a higher degree of public ownership; seeing socialist large-scale socialized production as a large factory or a big machine; seeing the socialist planned economy as incompatible with the commodity economy; seeing the functions of the socialist state in managing the economy as a monopoly in which the government runs the whole show on behalf of the enterprises; seeing equality in a socialist society as egalitarianism; and so on.

All these misconceptions are not in keeping with the nature of socialism. The forces of production in socialist societies have many levels. This multi-leveled structure of the forces of production is particularly obvious in the developing socialist countries. To accord with this, the structure of ownership in socialist societies cannot but have many levels. Under the premise of ensuring the absolute superiority of the socialist public ownership system, diversified economic forms and various methods of management should be permitted. Large-scale socialized production under socialism is by no means like a factory, which is formed by different workshops based on the division of technological processes. Rather, it is formed by relatively independent economic entities that are independent and responsible for their own profits and losses within the system of social division of labor. The socialist economy, due to the unanimity of fundamental interests on the basis of public ownership, is inevitably of a planned nature. At the same time, due to the disparity in partial interests between different ownership systems, between different enterprises and between individuals, it is inevitably a commodity economy as well. Thus, the planned economy and the commodity economy are not antagonistic. They can be united. The socialist state, as the embodiment of state power and the owner of the property of the whole people, should have extensive functions in managing the economy. But it should not run the whole show on behalf of the enterprises and should not operate enterprises directly. Equality in a socialist society refers to equality in regard to the means of production and the idea that he who does not work, neither shall he eat. We must recognize the disparity of labor and income on this premise, and must not equate socialist equality with egalitarianism.

The many misconceptions about socialism have been effectively clarified in relevant sections of the "Decision" either by way of direct argument, or through positive exposition, which shall not be repeated here. What must be emphasized in particular is that the "Decision" recognizes that the socialist economy has the attributes of the commodity economy and points out explicitly that the socialist economy is "a planned commodity economy." This is the first time that the traditional idea of pitting the planned economy against the commodity economy has been discarded in a party document. This theoretical breakthrough made by the "Decision" is of extremely far-reaching significance not only in the reform of the planning system but also in the reform of the entire economic structure, that is, in the remolding of the model. The traditional rigid model of the past, which was overcentralized and had the ingredients of the supply systems, was mainly based on the "natural economy theory." This theory does not recognize that the socialist economy has the attributes of the commodity economy. Neither does it recognize the fact that the law of value must be consciously followed and applied in the planned socialist economy. This theory had a profound effect on the formation of the traditional centralized economic model. In our original economic structure, diversified economic forms and various methods of management were rejected by the structure of ownership. In respect of the economic policy-making structure, power was overcentralized in state organs and enterprises lacked the necessary decision-making power of commodity producers. In regard to the economic regulatory system, market mechanisms were rejected and management was carried out mainly through administrative means and through setting material targets. On the matter of economic organizational structure, "big and complete" and "small but complete" were encouraged, and barriers existed between different departments or regions and between the urban and rural areas. In regard to economic interests, there were egalitarianism and the practice of "everybody eating from the same big pot." As for economic relations with foreign countries, a closed-door policy was pursued. These were all influenced by the above-mentioned ideology of natural economy. They were direct or indirect reflections of the "natural economy theory" on the economic structure. It is precisely for this reason that the ideology of natural economy must be thoroughly discarded before we can do away with the old model once and for all. The "Decision" clearly affirms that the socialist economy has the attributes of the commodity economy and emphasizes that the law of value must be consciously followed and applied in a planned economy. This gives us a powerful weapon with which to fight the "natural economy theory." With this theoretical weapon in our hands, we will be in a better position to illustrate a series of important issues discussed in the "Decision," such as: Why is it that invigorating enterprises is a key to restructuring the national economy? Why must we step by step reduce the scope of mandatory planning and extend guidance planning? Why must we gradually reduce the scope of uniform prices set by the state and appropriately enlarge the scope of floating prices and of free prices? Why must we establish a rational price system and pay full attention to economic levers? Why must we separate government from enterprise functions, do away with barriers between departments or regions, emphasize the central role of cities, and promote socialist competition? Why is it necessary to allow some regions, enterprises and individuals to get well-off first and, through this means, to prompt others to take the road of prosperity, one group after another? Why

should the coexistence of diversified economic forms and various methods of management be allowed? Why is it necessary to expand foreign and domestic economic and technological exchanges? All these are closely related with the recognition that the socialist economy has the attributes of the commodity economy and the emphasis placed on the need to consciously follow and apply the law of value. We can say that the expositions on the socialist commodity economy and the law of value in the "Decision" have laid a very important theoretical foundation for our new model of socialist economic structure. I believe that this is by no means an overstatement.

Gaining a correct understanding of socialism is the fundamental starting point in building a socialist economic model with Chinese characteristics. Another fundamental starting point is to recognize our basic national conditions. Basic national conditions should be analyzed in light of the tasks of structural reform. In my opinion, we should mainly consider the following aspects:

1. It should be made clear that the socialist system is already established in China and that the old economic structure, despite its serious defects, is socialist in nature in so far as it upholds public ownership of the means of production, the elimination of the exploitative system, and the planned economy. Moreover, this structure has been in use for more than 30 years in building socialism and organizing socioeconomic activities. Of course, due to our lack of experience and misunderstanding of socialism, this socialist economic structure is far from mature and perfect. We have positive as well as negative experiences. The present task of reform is to conscientiously sum up experience and lessons and, on this basis, to remold the old economic model, which is immature and contains misunderstandings of socialism, into a more mature economic model that is more in conformity with its socialist nature.
2. China is economically backward. The commodity economy is very much underdeveloped, and ideas of natural economy are firmly entrenched. If we are to achieve modernization, we must develop commodity production and commodity exchange. China has a vast population, and over 80 percent of the people live in the rural areas. We cannot indefinitely tie such a huge number of people to a limited amount of land. China's only way out is to energetically develop the commodity economy. The new economic structure must take these characteristics into consideration and must facilitate rather than hinder the development of the commodity economy.
3. China is a vast country. Between the central and the grassroots levels, there are many intermediate levels. A dual structure obviously exists in production, this being the coexistence of modernized production and production based on manual labor. Economic development between regions is very uneven. This situation is different from that which is found in smaller but economically more developed countries. It increases the need to adopt diversified economic forms and multilevel policy-making, and to pay attention to the flexibility and adaptability of the structure.

It should be pointed out that these characteristics of our national conditions, including our vast territory and uneven development, were often taken as the justification for strengthening centralized and unified management. Indeed,

in a developing socialist country as huge as China, the state simply cannot allow different localities, departments, and enterprises to act on their own and do as they please if it wants to ensure the planned, balanced, and coordinated development of the national economy. It must carry out macro-economic regulation and control. In this sense, the strengthening of centralized and unified management of the national economy is extremely necessary. On the other hand, because of the vast size of our country, the uneven economic development and other complicated conditions, it is impossible for our state organs to know every minor detail. In the light of local conditions, the localities, departments, and enterprises should be allowed to fully bring their mobility, flexibility, and creativity into play under the guidance of unified state planning. We cannot have every specific microeconomic task handled centrally by the state. The "Decision" was also very clear on this point. It points out: "The socialist planning system should be one that combines uniformity and flexibility. We must take into account China's vast territory and large population, the difficulty of drastically improving in a short period its poor transport conditions, its inadequate information facilities, and the obviously uneven economic and cultural development of its various regions, and we must realize that because of China's rather undeveloped commodity production at the present stage, it is necessary to stimulate commodity production and exchange." I think that this exposition in the "Decision" on establishing a structure that combines uniformity and flexibility in the light of our national conditions must be taken into consideration not only in reforming the planning system but also in the reform of the entire economic structure.

#### The Chinese Characteristics of the New Model of the Economic Structure

Every model of economic structure has its basic aspects. These are its ownership structure, economic policy-making structure, economic regulatory system, system of economic interests, and economic organizational structure. The ownership structure of the targeted economic model, after restructuring, has actually been worked out in theory and in principle on the basis of previous experience gained in rural reforms. The "Decision" only reiterates the need to persevere in the simultaneous development of diversified economic forms and various methods of management, pointing out that this is our long-term policy. It concentrates on solving the problem of the structure model for ownership by the whole people. Since ownership by the whole people plays the leading role in the whole national economy, the solution of this problem is of decisive significance in the reform of the entire economic system. The "Decision" points out that the key to restructuring the national economy, with the focus on the urban economy, is the invigoration of enterprises, particularly the large and medium-sized enterprises owned by the whole people. It also puts forward the new arguments that ownership can be duly separated from the power of operation, and urged that enterprises owned by the whole people be given full and necessary decision-making power in operation so that they can truly become relatively independent operational entities and commodity producers. Around this key issue, the "Decision" sets the direction for a whole range of reforms including planning, pricing, economic management by state institutions, and the labor and wage system. If we look at the reform blueprint put forward in the "Decision" comprehensively, and sum it up in accordance with the various basic aspects embodied in the model of the economic structure, we may roughly sum up the directions of the reform of the socialist economic model in the following five points:



First, we must reform the ownership structure which has become increasingly uniform due to our blind pursuit of "larger size and a higher degree of public ownership." This is to be changed into an ownership structure which has ownership by the whole people as the leading factor, a structure which encompasses the collective economy, the individual economy, and various economic combinations; and which ensures the simultaneous development of diversified economic forms and various methods of management.

Second, within the sector owned by the whole people, we must reform the over-centralized economic policy-making structure into a multilevel policy-making structure which focuses on invigorating enterprises, and in which the state, the enterprises, and the individuals all have a part to play.

Third, in regard to the relationship between planning and the market, we must reform the planning system which rejects market mechanisms, which ensures the predominance of mandatory planning, and which is mainly implemented by administrative means. This is to be changed into an economic regulatory system which is mainly fulfilled by economic means, which makes use of market mechanisms, and in which the role of guidance planning is strengthened.

Fourth, in regard to the distribution system, we must reform the system which emphasizes the interests of the state at the expense of the interests of the collective (enterprises) and individuals (laborers), with "everybody eating from the same big pot." This is to be changed into a system of economic interests which takes the interests of the state, the collectives, and the individuals into consideration and which closely combines economic income with economic results.

Fifth, in regard to economic organization, we must reform the economic organizational structure which makes no distinction between government and enterprise functions, which is mainly based on relationships of vertical subordination, and which is characterized by the existence of barriers between different departments or regions. This is to be changed into an interconnected economic organizational structure which is mainly based on horizontal ties and which takes key cities as hubs, where the functions of government and enterprises are separated.

What is the nature of the new economic model which comprises the above-mentioned aspects? It is the model of a Chinese-type planned economy, where enterprises are full of vitality and where the law of value is consciously followed and applied. Judged by the theoretical models discussed above, it is similar to the model of the planned economy that is organically integrated with market mechanisms. Its major characteristics are: First, the planned economy is upheld, but the role of market mechanisms is also brought into play. Second, effective control is exercised over major issues, while flexibility is allowed in minor ones. Third, economic, administrative, legal, and other means are made to support one another, and it is mainly through economic policies and economic means that economic activities are guided and planned targets are attained. This new socialist economic model not only differs completely from the model of market economy in capitalist countries. It is also vastly different from that of other socialist countries and shows pronounced Chinese characteristics.

To counter the defects of the traditional model of the centralized planned economy, many socialist countries have either adopted measures for improving the model or carried out reforms to varying degrees since the 1960's. This has been going on for more than 20 years. Roughly speaking, three methods are employed:

The first method is the method of making partial improvements which leaves the traditional structure basically unchanged. This is the so-called reformed model of a centralized planned economy. The basic idea of this method is to delegate part of the microeconomic policy-making power to the enterprises. But, basically, microeconomic activities are still governed by mandatory planning, and market mechanisms only play a supplementary role. Plans are mainly fulfilled by administrative means. Although this method allows greater flexibility than previously, it has difficulty overcoming the fundamental defects of the structure of the centralized planned economy. This is not an appropriate method for us, for this model is quite different from the model we aim to achieve.

The second method negates the functions of the state in managing the economy and makes enterprises completely independent commodity producers. Economic activities are basically regulated by market mechanisms, and the responsibility for expanded reproduction is transferred from the hands of the state to the enterprises. The state formulates plans, but does not control microeconomic activities. It also lacks the necessary means to control the macroeconomy. Thus, although the microeconomy is enlivened and the results of enterprise operation are improved, this often results in loss of macroeconomic control, imbalance between various sectors, inflation, and a higher unemployment rate. This so-called "market socialism" model is also not suitable for us. The model we aim to achieve is one which pays attention to the need for the state to exercise control, guidance, and regulation over the economy, particularly to exercise planned control over the macroeconomy, while emphasizing the need to enliven enterprises and the microeconomy. This is obviously different from the method discussed here.

The third method pays attention to the application of market mechanisms in the planned economy and seeks to organically combine market mechanisms and the planned economy. This method is still immature and is still being developed and improved. It has points that we can learn from, such as its emphasis on managing the economy by economic means. But China is a vast country with a large population, where economic development is very uneven. Our basic national conditions are very different from those in the European countries where this model is practiced. The model we aim to achieve through reform, on the one hand pays more attention to the diversified forms and flexibility of grassroots-level economic units, and on the other hand pays more attention to planned guidance and macroeconomic control by the state. It also pays attention to fully bringing into play the role of regions and departments as intermediate levels. In particular, it calls attention to the need to fully bring into play the role of key cities in organizing economic activities. All these reflect the characteristics of China as a large, developing socialist country, characteristics that are quite different from those found in countries where this model is practiced.

## The Self-Improvement and Development of the Socialist System

The solution to the problem of restructuring the economic model is an important issue that has a vital bearing on where China is heading. Naturally this attracts the attention of a vast number of people both at home and abroad. The nature of our present reform is seen differently by these people. The question boils down to this: After the reform, will socialism be upheld and further improved, or will we depart from socialism and fall back to capitalism. This is an important question, and the "Decision" of the 3d Plenary Session of the 12th CPC Central Committee has in fact given its clearcut answer. The "Decision" points out that reform of China's economic structure is to be carried out on the premise of adherence to the socialist system and is to be a form of self-improvement and development of the socialist system. Here, I will venture to make a further analysis of some related questions raised by these people.

1. Does allowing the simultaneous development of diversified economic forms mean a return to the days before the three major transformations?

In the past, slogans like "the larger the size and the higher the degree of public ownership, the more socialist it is" and "eliminating the vestiges of socialism" prevailed. Under these slogans, economic forms became more and more uniform throughout China's urban and rural areas. This kind of parochial understanding of the socialist ownership system and its practice not only hindered the development of the socialist economy, but caused the people great inconvenience. In recent years, the collective economy, the individual economy, and other transitional and flexible forms have been restored and developed. Because of this, economic forms in the urban and rural areas have become more diversified. Actually, socialism need not and should not reject the existence of the individual and the collective economies within certain limits. In particular, the serious imbalance in the level of productivity between various trades and professions in the urban and rural areas and within individual trades, the many and varied livelihood needs of the people, and the large number of new job-seekers emerging each year are problems that cannot be solved by a unitary system of ownership by the whole people. Diversified economic forms, with their flexible and varied means, can make up for the inadequacies of ownership by the whole people and enrich the content of the socialist economy. The diversified structure of ownership that we are trying to reestablish is a form of diversification with the economic sector owned by the whole people playing the leading role. This is quite different from the state of affairs before the three major socialist transformations, when socialist public ownership was still surrounded by bourgeois and petty bourgeois ownership. At that time, diversified economic forms coexisted, but it was still not known which of them would emerge victorious. The coexistence of diversified economic forms under the management of the socialist state and the leadership of powerful economic sector owned by the whole people not only will not present an obstacle to the socialist economy, but will encourage enterprises owned by the people to improve their management and operation. This is conducive to the development of the socialist economy as a whole.

2. Does the separation of government and enterprise functions, simpler and decentralized administration, and the practice of making enterprises responsible for their own profits and losses mean abolishing the economic functions of the socialist state? Will it change the nature of the system of ownership by the whole people?

In the past, no clear distinction was drawn between the functions of the government and those of enterprises. Under this system, enterprises owned by the whole people became appendages of state administrative organs. This was caused by misunderstandings about the functions of the socialist state and the content of the system of ownership by the whole people. These misunderstandings not only confused the division of the management functions of the state and the operational functions of enterprises, but confused the distinction between ownership and the power of operation. The separation of ownership from the power of operation, the separation of the functions of government and enterprises, as well as simpler and decentralized administration are essentially aimed at correctly delineating the division of work between state institutions and enterprises. These measures enable the state, as the embodiment of state power and the owner of the property of the whole people, to exercise its functions in managing, guiding, and regulating the entire economy. They also enable the enterprises, as operational entities that are responsible for their own profits and losses, to bring their vitality into play under the guidance of state plans. The so-called delegation of power actually refers to handing over to the enterprises those concrete microeconomic tasks (that is, minor issues) that should not be managed by the state. It also means that the macroeconomic matters (that is, major issues) that should be managed by state institutions not only cannot be handed down but must be grasped firmly and put under strict control. This will only strengthen, not weaken, the functions of the state in managing the economy. Rather than changing the nature of the system of ownership by the whole people, this will only pave the way for its consolidation and development and enable it to play a leading role in the national economy.

3. In emphasizing the need to develop the commodity economy and apply the law of value and in gradually narrowing the scope of mandatory planning, does it mean that we are negating the planned economy?

In the past, under the influence of the ideology of natural economy, we pitted the socialist planned economy against the commodity economy, equated the commodity economy with capitalism, and equated the planned economy with mandatory planning. This parochial understanding of the commodity economy and the planned economy, together with its practice, turned planned management into something very rigid. This was neither conducive to invigorating enterprises, nor conducive to the development of the socialist commodity economy. It has been proven both by theory and by practice that the socialist planned economy not only should not reject the commodity economy and the law of value, but should energetically develop the commodity economy and consciously apply the law of value. Otherwise, the planned economy will become an inefficient lame-duck economy. The principal task of the planned economy is to consciously and constantly maintain a balance in socioeconomic development. If we want to fulfill this task under conditions of the commodity economy and under the requirement of invigorating the economy, we cannot rely on mandatory planning in the main. Instead, we must suitably enlarge the scope of guidance planning

and regulation by market mechanisms. Moreover, whether in mandatory planning or in guidance planning, we must consciously follow and apply the law of value. This is by no means a negation of the planned economy. Rather, it further enriches the content of the planned economy and enables it to more effectively promote the development of the socialist economy.

4. Is the policy of allowing some people to become better off first a violation of the socialist principle of distribution? Will it lead to polarization?

Under the influence of egalitarian ideas, the system of distribution with "everybody eating from the same big pot" developed. This egalitarian system of distribution is a distortion of the socialist principle of distribution. What it has brought about is common poverty rather than universal prosperity. The present reform is being carried out so that we can thoroughly solve the problem of "everybody eating from the same big pot" and unswervingly implement the policy of allowing some regions, enterprises, and individuals to become better off first. Under socialist conditions, if some working people are allowed to become better off first through diligent work and through making substantial contributions to society, this will inevitably be a strong attraction and inspiration to the majority of the people. More and more people will be prompted to take the road of prosperity, one group after another. This will never lead to polarization, which means that a handful of people become big landlords and big capitalists, while the majority become the exploited once again. If irrational disparity of income should appear, the state may regulate and control it through adopting economic measures, such as taxation. In this way, a reasonable ratio can be maintained between increases in people's income and accumulation on the one hand, and the development of production and increases in labor productivity on the other. Thus, encouraging people to become better-off through diligent work is by no means a violation of the socialist principle of to each according to his work. Rather, it restores and develops this principle and turns it into a powerful motive force that pushes forward the development of socialist production.

From the above discussion, it can be seen that the present reform of China's economic structure is aimed at reforming the imperfect structure that does not fully conform with the socialist principles into a more perfect structure that conforms with the socialist principles. It is also aimed at advancing socialism from an immature and unsound stage to a more mature and sound stage. Thus, reform means an advance on the road of socialism rather than a retrogression to capitalism. Some friends worry that China's reform will lead to retrogression. Their worries do not tally with China's reality. There are also people who wish to see, even want to precipitate, such a retrogression. This is merely their wishful thinking.

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NATIONAL POLICY AND ISSUES

REPORT ON MANAGER RESPONSIBILITY SYSTEM

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[Article by Huang Yuan [7806 3293] of the Liaoning Financial Institute: "On the System of the Factory Director Assuming Full Responsibility"--written in September 1984]

[Text] The gradual implementation of the system under which the factory director assumes full responsibility in state-owned enterprises is an important part of the reform of the urban economic structure. The initial experiences of the factories in Dalian, where the system under which the factory director assumes full responsibility has been carried out experimentally, demonstrate that the implementation of this reform can: Give new vigor to enterprise development; is beneficial to the rational division of labor; clarifies responsibilities; arouses enthusiasm; improved work effectiveness and raises economic results. This reform touches on economic and social ideologies and viewpoints, work forms, and rules and regulations which have formed over a long period. Many new problems will arise both in practice and on the ideological level and we must carry out serious discussion on these.

I.

In the enterprise management system, we have for a long period implemented the system of the factory director assuming responsibility under the leadership of the party committee. The enterprise's production and operations management, and ideological and political work were all handled by the party committee, which carried out unified leadership. This management system has played an active role in economic life, so why must we now replace it with the system of the factory director assuming full responsibility? In brief, this reform has not been arbitrarily decided on, but has been brought about by the great changes in our nation's social conditions and the great changes in enterprise management. It is a reform which has to be carried out to make the enterprise management system accord with the changes in objective conditions.

Before the socialist transformation of the private ownership of the means of production was basically completed, because the bourgeoisie still existed as a class, the contradiction between the working class and the bourgeoisie was still manifested in every aspect of economic life. Under these social conditions, enterprise management had two parts. On the one hand, the enterprises' production and operations activities were carried out in a coordinated way by

many people. Complicated economic relationships existed within an enterprise, between enterprises, and between enterprises and the state. These were intended to carry out effective regulation and control of enterprises' production and operations activities, and to guarantee the smooth realization of expanded reproduction. This was the production management function of enterprise management. Marx once likened this function to that which needs to be carried out by the conductor of an orchestra. Apart from this, enterprise management also includes an aspect of a different character. In the early period of the PRC, the state required that those capitalist industrial and commercial enterprises, which were beneficial to the national economy and the people's livelihood, have a certain development. However, there inevitably existed many conflicts of interests between these capitalist industrial and commercial enterprises and the socialist state-owned economy, and between these enterprises and their workers. Sometimes these clashes of interest were serious. In order to safeguard the interests of the state and the enterprises' workers, during the transition period, the state adopted, from the lower levels to the higher levels, a set of state capitalist transition forms. These were intended to accomplish the socialist transformation of capitalist industry and commerce. In order to guarantee the smooth completion of socialist transformation, and guarantee the consolidation and development of socialist public ownership, it was also necessary to take appropriate measures in operations management. These management components were entirely conditioned by the contradiction between the working class and the bourgeoisie, and thus had a political management function.

We can see that in this historical period, enterprise management had two types of functions. But, because at that time the main contradiction in the country was that between the working class and the bourgeoisie, the latter function had to occupy the main position in management work, and often became the point of departure in decisionmaking. It was in accordance with this that the enterprise management system, whereby the factory director assumed full responsibility under the leadership of the party committee, was formed. The party committee not only guided ideological and political work, but also guided production and operations activities. This sort of situation where party and administrative tasks were not separated, was the same as having management of two different types.

Far-reaching changes have occurred in the social situation within the country. The 3d Plenary Session of the 11th CPC Central Committee pointed out that the principal contradiction in the country was no longer that between the working class and the bourgeoisie, but the contradiction between the people's ever-increasing material and cultural needs and the backward social productive forces. The focus of party and government work has already switched to the building of socialist modernization and the energetic development of the social productive forces so as to gradually improve the people's material and cultural lives. Following the changes in the social conditions, enterprise management also saw changes. Those political management functions which had as a condition the contradiction between the working class and the bourgeoisie have mostly ceased to exist. Some still exist but their methods are now different and they are not in the same position. Also those production management functions which were regulated and controlled by the coordination of many people have been able to greatly increase and become the basic component of

enterprise management. Especially since the 12th CPC National Congress put forward the general tasks in the new period, and following the rapid development of economic construction, the various relations in the social economy have daily become more complex, and new technological achievements have continually appeared. This has resulted in greater and more numerous demands being made on the operations management of an enterprise. For example: It is necessary to actively absorb and utilize new techniques and new technology, and to transform backward techniques, equipment, and technology in order to improve the natural productive forces of labor; it is necessary to utilize scientific labor organization and motivate the creative initiative of the laborers in order to improve the social productive forces; it is necessary to restrict the use of funds, and fully and rationally utilize resources so as to produce greater results with the consumption of fewer financial and material resources; it is necessary to keep up with economic information, and keep abreast of market changes so that decisions can be made in a timely and correct way, a balance can be achieved between supply, production, and goods flow freely and so on. All these have caused the production management function of enterprises to become daily richer and daily more important.

These important changes in the management components naturally require that, in the management system, changes be made to the situation where production and politics are grasped together. Production management must be handled separately, and in production, operations, and administrative management, the system under which the factory director assumes full responsibility must be implemented, with the factory director taking the specific responsibility of guidance.

Thus, the implementation of the system under which the factory director assumes full responsibility is an objective product of our nation's economic and social development and is a necessary measure in realizing the general tasks in the new period set by the party.

## II.

As to the relationship between the system under which the factory director assumes full responsibility and the system of one-man leadership, some comrades believe that they are basically the same. If we accept this viewpoint as being true, it is the same as saying that the system we will be using where the factory director assumes full responsibility is basically repetition of the one-man leadership system put forward 60 years ago. This is worthy of discussion.

Clearly, the system under which the factory director assumes full responsibility and the system of one-man leadership have some points in common. For example, in operations management, they have individual responsibility, they both combine individual responsibility with a system of democracy, and so on. Recognizing these points in common is beneficial to our assimilating those parts of the one-man leadership system which are useful today.

However, the factory director does not exist and carry out his functions isolated from the surrounding environment. We should recognize that because of different objective historical conditions, there are differences between the system under which the factory director assumes full responsibility and the one-man leadership system.



First, the two fulfill their functions in different ways.

Everybody knows that the one-man leadership system was put forward at the beginning of 1918 by Lenin. At that time, the Soviet was in the new period of struggle with the bourgeoisie. The task of the revolution was to "create conditions in which it will be impossible for the bourgeoisie to exist, or for a new bourgeoisie to arise."<sup>1</sup> However, the Soviet Government was "excessively mild, very often resembling jelly rather than iron."<sup>2</sup> At the same time, they faced the spontaneous force of external and internal attacks by the bourgeoisie and petit bourgeoisie. In order to complete the revolutionary tasks of the new period, consolidate the Soviet Government, and struggle against the spontaneous force of the bourgeoisie and the petit bourgeoisie, it was necessary to implement the one-man leadership system, and unconditionally subordinate themselves to the unified will. Of course, one-man leadership also manifested the demand for "absolute and strict unity of will"<sup>3</sup> put forward by the large-scale machine industry. But, it mainly carried out its role by "coercion precisely in the form of dictatorship."<sup>4</sup> Lenin, when discussing the necessity of the one-man leadership system, pointed out: "The revolution has only just smashed the oldest, strongest, and heaviest of fetters to which the people submitted under duress. That was yesterday. Today, however, the same revolution demands--precisely in the interests of its development and consolidation, precisely in the interests of socialism--that the people unquestioningly obey the single will of the leaders of labor."<sup>5</sup>

Our nation's present historical conditions are different from the conditions in the Soviet Union in those days. Our nation's general tasks in the new period are also different from the revolutionary tasks of the Soviet Union in that period. It is clear that our nation's system under which the factory director assumes full responsibility is not "coercion precisely in the form of dictatorship" in the struggle against the spontaneous force of the bourgeoisie and the petite bourgeoisie. Rather, it carries out its role as a means of realizing the construction of socialist modernization. The implementation of the system under which the factory director assumes full responsibility is intended to clearly define responsibilities in production operations, strengthen production guidance, speed economic development and raise economic results.

Second, the two play different roles.

What sort of a role does the "man" in the "one-man leadership system" play? Here, all the funds and assets of an enterprise are supplied by the state and all the materials and raw resources required are allocated by the state. The state arranges all production activities and all of the labor force is utilized as total social labor. Products are allocated by the state, profits are handed over to the state, and losses are made good by the state. Labor becomes direct social labor, the products of labor are not transformed into commodities and there is direct product exchange. In this situation, the state is a large "syndicate" and each enterprise is a "workshop" of the "syndicate." They are not commodity-producing units, but product-producing units. The factory directors of enterprises are nothing but workers for the large "syndicate" of the state. They carry out state orders and do duty solely for the state. They simply carry out a relay function of passing things up and transferring things down. Their role is not so much that of an economic figure as that of an administrative official.

The system under which the factory director assumes full responsibility is not like this. Following the further expansion of the decisionmaking power of enterprises, the general implementation of the paying of taxes to replace the turning over of profits, and the achievement of reform of the economic structure, the enterprises under the guidance of the state plans are gaining ever-increasing decisionmaking power in terms of production operations. They are gaining ever-increasing sources of funds and have their own independent economic interests. The products of labor should adopt the commodity form and labor should be manifested as value. In distribution according to work, the yardstick should not be the society as a whole. Rather, the enterprise should be used as the yardstick, and distribution should be related to the results of the enterprise's operations. The enterprises have become real enterprises and are relatively independent commodity production units. The factory director of the enterprise is a commodity producer and the factors which spur him on to work hard are not only orders and directions, but economic necessity and the requirements in organizing economic activities. The "directors" in the "system under which the factory director assumes full responsibility" must be a socialist entrepreneur who has an intimate knowledge of production, has mastered market changes, is versed in the laws of economic development, understands economic accounting and is able to both buy and sell.

Third, the two have different powers.

Under the one-man leadership system, "individual executives are granted dictatorial powers (or 'unlimited' powers)."<sup>6</sup> These powers have two characteristics: First, they are dictatorial and "unlimited." All work within an enterprise, including production management work, ideological and political work, and mass work, is decided on by one person. What this one person says counts. The second is that these powers are not complete, and are very restricted. In all aspects of economic activities, administrative powers are all centralized in the state. The factory director can only carry out work in accordance with directives from higher levels. The more higher levels there are, the more directives. This is like using departmental ropes to bind up the arms and legs of the factory director.

The system under which the factory director assumes full responsibility proceeds from differences in work, and rationally divides the labor of the factory director, the party committee and the trade union so that each has their own task. The factory director is only responsible for production operations and administrative management, and in this sense we can say that the powers of a factory director are not dictatorial, and are not unlimited. However, seen from the angle of leading the production operations and administrative management of the enterprise, the factory director has various necessary powers to fulfill his own responsibilities. Thus the jurisdiction of the factory directors is quite complete and quite ample.

If we clarify the differences between the system under which the factory director assumes full responsibility and the one-man leadership system, then we can avoid mechanically copying the specific methods of the one-man leadership system. We will thus be able to proceed from our nation's actual conditions and establish an enterprise management system with Chinese characteristics.

### III.

The system under which the factory director assumes full responsibility is a reform of the system whereby the factory director assumes responsibility under the leadership of the party committee. In implementing the system under which the factory director assumes full responsibility, we must carry out the "three strengthenings." This is: strengthening direction over production and administration, strengthening party leadership, and strengthening democratic management by workers.

In socialist enterprises, not only is there the system of production direction, but also the party committee and the trade union. These three all have different work to do and different tasks to take on. They should each bring into play their own positive roles. At the same time, the three are interdependent, and must work in cooperation centering on the work of developing production and raising economic results. Each side must use the strengths of the other two sides as a condition in doing its own work well. Only when we have strengthened ideological and political work and party construction, and motivated the worker's enthusiasm, can the factory director carry out his work well in directing production. Only when production is directed well and there is a continuous improvement in economic results will party committee work and trade union work see results. Only then can their tasks of guaranteeing and supervising be completed. It is precisely as Comrade Peng Zhen pointed out: In implementing the system under which the factory director assumes full responsibility, "simply arousing the enthusiasm of the factory director is not enough. It is necessary to arouse the enthusiasm of the three sides: the factory director, the party committee, and the trade union."<sup>7</sup> In carrying out the "three strengthenings," we must first arouse the enthusiasm of the three sides. Only then will we be able to operate a socialist enterprise well.

At present, there widely exists in enterprises the situation where party and administrative work is not separated and where responsibilities are not clearly defined. Thus a prerequisite for realizing the "three strengthenings" is a clear delineation of responsibilities and powers of the three components. Production operations and administrative management work should be led by the factory director. The party committee should be unified over ideological and political work and over party work. It should also play a guaranteeing and supervisory role in production operations and administrative management work. The trade union should be responsible for organizing the workers to participate in democratic management and for protecting the workers legal interests. It is easy to make these divisions in a general way. However, when there are "borderline" problems, it will be necessary to proceed from the actual situation of the enterprise and thus it will not be difficult to work out correct divisions. On the basis of clearly defining responsibilities and rights, we must, through readjusting and reforming the organizational structure, formulate and revise various management systems and economic responsibility systems. In this way we can, level after level, put in order the internal relationships of the enterprise.

In the practice of the reform, the three components must clarify the key points they have to strengthen and the key problems they have to resolve.

In terms of production operations and administrative management, the key point to be strengthened is the expansion of the due powers of the factory director so that he has the power to direct production and his powers are commensurate with his responsibilities. However, the expansion of the factory director's powers only provides the necessary conditions for strengthening the guidance of production. In the end, whether or not an actual strengthening is achieved also depends on whether a factory director is able to scientifically utilize his own powers. Thus, a decisive factor in strengthening production guidance is the selection of a person who has an enterprising spirit, is vigorous, good at decisionmaking, and who has a good democratic style, as factory director. The experiences of the enterprises in Dalian which implemented on a trial basis the system under which the factory director assumes full responsibility, in respect of conscientiously selecting and re-appointing factory directors, are valuable for reference.

In strengthening leadership by the party committee, it is important to lay stress on changing the former situation where the party was busy with day-to-day administrative matters and "the party did not manage the party." It should take on the basic tasks of grassroots-level party organizations as stipulated in the party constitution, and fully bring into play the party committee's leading role in ideological and political work. In this, we should make clear whether the party leadership is strong or weak, and this is certainly not determined by the number of things they manage. By managing those things which it should not manage, the party's leadership role not only cannot be strengthened, but will inevitably be weakened. Thus, we cannot hold that handing over to the factory director the power over production operations and administrative management will weaken the party committee's leadership. On the contrary, this is a necessary measure for strengthening leadership by the party committee.

Fully bringing into play the role of workers congresses and the role of workers as the masters of the enterprise is a source of strength in developing production and raising economic results. Thus, when implementing the system under which the factory director assumes full responsibility, it is necessary to pay attention to arranging well the mutual relationship between the system under which the factory director assumes full responsibility and the position of the workers as masters. We must establish the necessary systems, stipulate effective forms, and guarantee the various rights of the workers to participate in democratic management. These include, for example, the rights: To put forward ideas and suggestions when listening to the factory director's work report; to discuss the enterprises programs for wage readjustment and bonus allocation, the internal economic responsibility systems and important rules and regulations; to discuss and decide on the utilization of collective welfare funds, housing allocation, and other welfare matters; to appraise and examine cadres at various levels of the enterprise; to put forward suggestions on appointments and dismissals, rewards and penalties and so on. At the same time, it is also necessary to pay attention to preventing the erroneous viewpoints that only workers congresses represent the interests of the working class. We must also make it the bounden duty of workers congresses to actively support the factory director in carrying out his functions.

#### IV.

Putting the internal relationships in order must have as a condition the external economic reforms. If we do not expand the decisionmaking power of enterprises, the factory director will not have the necessary power in his hands to accomplish his responsibilities, and his position as a "legal person" will not be universally accepted in practice. If this happens, the system under which the factory director assumes full responsibility will become just empty words. Therefore, in implementing the system under which the factory director assumes full responsibility, we must closely combine it with external economic reforms, so that they are carried out at the same pace and promote each other. This is the key to achieving success. Urban economic reform touches on a wide range of areas, and the problems which need to be solved are many. In order to do well in terms of the system under which the factory director assumes full responsibility, there is a pressing need to resolve the two problems of delegation of power and streamlining of administration. Marx once noted: "Authority in the factory and authority in the society are inversely related."<sup>8</sup> We must scientifically utilize this universal rule, correctly delineate the authority of the state and that of the enterprises, and resolve these two problems more successfully.

The provisional regulations promulgated by the State Council in regard to further expanding the decisionmaking power of enterprises provide beneficial conditions for implementing the system under which the factory director assumes full responsibility. In the course of implementing these provisional regulations, we must really delegate power to the grassroots level, so that the factory directors have the authority and the enterprises have vitality. Several decades of experience have demonstrated that the centralization of operational authority in the hands of the state organs is not the inevitable product of a socialist state ownership system, and even less is it a characteristic of a socialist economy. The socialist economic mechanism requires that operational authority be unified with operational responsibilities. Operational authority should be in the hands of those who take on operational responsibilities. A course of action where responsibilities and authority are not unified can only result in the socialist economy being unable to function normally. As for the higher-level responsible departments, they should centralize their vigor to do well in overall planning and guidance work, economic legislation work, science and technology propagation and application work, economic information dissemination work, investigative and research work, supervision and promotional work, and in work concerned with spreading advanced experiences.

In expanding decisionmaking power of the enterprises, one thing of basic significance is the expansion of the authority of the enterprises in terms of production operations, including authority related to formulation of plans, reproduction guidance, purchasing of raw materials, wages for labor and so on. Formerly, in actual work and in theory, attention was paid to expanding the decisionmaking power of enterprises in terms of financial distribution. This is correct. However, insufficient attention has been paid to expanding the decisionmaking power of enterprises in terms of production. For example, giving enterprises a great number of planned targets of a mandatory nature often restricts the enterprise's operational initiative and results in the decisionmaking power in terms of financial distribution losing its basis.

The situation where administrative organs are overlapping and there are too many "mothers-in-law" inevitably results in excessive interference in the enterprises' production operation activities, and the fettering of the enterprises' enthusiasm and initiative. Streamlining the various levels of administrative organs is essential in the implementation of the system under which the factory director assumes full responsibility. This task urgently awaits resolution. At the same time, following the expansion of the decision-making power of enterprises, many things which were formerly handled by the higher-level administrative organs, have been handed down to the enterprises for them to handle themselves. Thus, only if we fully bring into play the roles of the departments responsible for economic legislation, supervision, and taxation will there be the possibility of streamlining the many administrative organs. In the course of the economic reforms, we must seriously resolve this problem so as to allow enterprises to go all out.

#### FOOTNOTES

1. "The Immediate Tasks of the Soviet Government," "Collected Works of Lenin," Vol 27, p 223.
2. Ibid., p 243.
3. Ibid., p 246.
4. Ibid., p 241.
5. Ibid., p 247.
6. Ibid., p 254.
7. RENMIN RIBAO, 25 July 1984.
8. "Das Kapital," People's Publishing House, 1975 Edition, Vol 1, p 395 note 59.

CSO: 4006/315

PROVINCIAL AFFAIRS

BEIJING 1984 COMMODITY SALES HIT RECORD HIGH

OW150354 Beijing XINHUA in English 0241 GMT 15 Jan 85

[Text] Beijing, 15 Dec (XINHUA)--Beijing's commodity sales volume rose to a record 10.164 billion yuan in 1984, 21.6 percent more than in 1983, according to a Beijing Statistical Bureau announcement made here today.

Total volume of retail sales has increased 10 percent annually over the past 6 years. The figure for 1978 was 4.4 billion yuan.

Beijing residents are spending more on food, clothing and other daily necessities. According to a sample survey of 1,200 households made by the statistical bureau in 1984, each Beijing resident spent 381 yuan on food as against 211.19 in 1978, 102 yuan on clothing as against 50.4 and 117 yuan on daily necessities as against 31.42.

The bureau said yearly per-capita income of urban residents had gone from 365.4 yuan in 1978 to 690 yuan in 1984, a rise of 89 percent. For the municipality's peasants the increase was even greater from 224.8 yuan to around 600 yuan or 167 percent.

Rent and medical expenses have remained low during the same period, rent accounting for only 1.6 percent of annual expenditures in 1984.

People are being encouraged to spend more in Beijing. More than 1,700 state-run shops have been set up in the past 5 years to bring the total to 10,618.

Supermarkets, shops run jointly by Beijing and commercial units from other localities, private ventures markets have also proliferated in the past 6 years.

CSO: 4020/87

PROVINCIAL AFFAIRS

HUNAN PEASANTS BOOST RURAL BUSINESS DEVELOPMENT

OW191317 Beijing XINHUA in English 1231 GMT 19 Jan 85

[Text] Changsha, 19 Jan (XINHUA)--Rural towns are flourishing in Hunan Province, central China, under the current policy allowing peasants to run shops and factories there. The number of towns with at least 2,000 permanent residents has almost doubled to 472 in one year, according to provincial authorities.

About 240,000 peasants are running mills and shops in Hunan, and the number is expected to reach one million by the end of this year and to three million in 1987.

Peng Fasheng, a provincial government official in charge of rural town development, said the rural contractual responsibility system would eventually free 40 percent of the local rural labor force from traditional farming.

China expects 30 percent of the rural population of 800 million to move into rural towns--usually local hubs of communication and political centers--by the end of this century, according to earlier news reports. Development of towns near villages is necessary because China, with limited farmland relative to its population, has increasingly great surplus labor.

In Hunan Province alone about 10 million rural laborers are not needed on the land, Peng said. The provincial government is now encouraging these peasants, those who are educated and skilled in particular, to shift to forestry development, animal husbandry and fishery, or run factories, shops and services for a living. A peasant business can provide one to several permanent jobs, Peng added.

Peasants in Hunan have set up more than 18,000 industrial, construction and transport businesses, and opened more than 14,000 shops in towns. The government has set up special offices to help them solve problems in running shops and factories, promote sales and purchase raw materials. Such offices are composed of representatives of local banking, capital construction, marketing and supply authorities.

CSO: 4020/91



PROVINCIAL AFFAIRS

GUIZHOU ISSUES CIRCULAR ON REFORMING TIMBER TRADE

HK141300 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 13 Jan 85

[Text] On the basis of the spirit of the CPC Central Committee on abolishing the state monopoly for the distribution of timber of the forest zones run by collectives in south China, on opening the timber and bamboo markets, and on negotiated purchase and negotiated sale, the provincial People's Government recently issued a circular on several problems concerning reform of the timber trade.

After summing up our province's achievements and experiences in timber work since the founding of our country, particularly since the 3d Plenary Session of the 11th CPC Central Committee, the circular points out that in order to meet the needs of the new situation, the system of the timber economy management must be reformed and government administration must be separated from enterprise management. It is necessary to change the past administrative companies to the production and business companies.

The circular states: In accordance with the provisions of the law on forests, except for scattered trees owned by peasants themselves on their private land and around their houses, people cannot fell other trees unless they apply to the local government for a tree-felling permit. Beginning in 1985, people who engage in the timber business in the markets must hold a certification of timber circulation issued by the local government; and the people who transport timber must hold a certificate of transport.

The circular says: After the state monopoly for the distribution of timber was abolished, the whole province has carried out a plan for giving guidance to the timber trade. Under the premise that the amount of felling in commercial forests does not exceed the amount of commercial forest production, in 1985 the province will adhere to the principle of first satisfying the needs of the province and then selling surplus timber to other provinces.

The circular says: Beginning in 1985, all timber grown and sold by forestry centers run by collectives or grown and sold by peasants will be purchased and sold on a negotiated basis, and prices must follow the prices of the trade and market. Except for charges paid to the state, all proceeds must be given to the forestry peasants so that the forestry peasants can directly receive the actual benefit. No level is allowed to withhold part of what should be given.

CSO: 4006/304

PROVINCIAL AFFAIRS

BRIEFS

GUIZHOU SUPPLY, MARKETING COOPERATIVES--Last year the province achieved marked results in reforming the structure of supply and marketing cooperatives. According to statistics, the total domestic purchase volume amounted to some 668.69 million yuan, overfulfilling the annual target by 27.6 percent and representing an increase of 16.5 percent over 1983. The total domestic sale volume amounted to some 1.3 billion yuan, overfulfilling the annual target by 4.2 percent. The profits amounted to some 40.1 million yuan, overfulfilling the annual target by 34.8 percent and representing an increase of 52.1 percent over 1983. Synchronous growth was achieved in purchase volume, sale volume, and profits. Last year the province mainly grasped the following in reforming the structure of supply and marketing cooperatives. 1. A great number of peasants have become shareholders of various supply and marketing cooperatives, and they have increased their investment in this aspect. Elect leading cadres democratically. 2. Reform the labor and personnel system. A system of serving terms of office is practiced in appointing cadres. 3. Reform the previous management system, which imposed too many restrictions. [Excerpts] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 16 Jan 85]

HUNAN OFFICIAL VISITS EXHIBITION--Yesterday morning, while visiting a preview of an exhibition to be held by the provincial supply and marketing cooperative dealing with the display and sale of special goods for the lunar new year, provincial CPC committee secretary Xiong Qingquan praised the exhibition for reflecting the excellent situation since the 3d Plenary Session of the 11th CPC Central Committee and for demonstrating special features of supply and marketing cooperatives. Comrade Xiong Qingquan said that as this year's Document No 1 of the central leadership has cancelled the monopolized and assigned purchases of agricultural products by the state, supply and marketing cooperatives must actively guide peasants in developing commodity production and sign timely contracts with peasants for developing commodity production. The exhibition will open on 20 January in the trade center of the provincial supply and marketing cooperative. More than 200 kinds of goods will be displayed and on sale at the exhibition, including fruits, dried vegetables, seasonings, daily necessities, meat and aquatic products, candy and cakes, cotton textiles, and native products of various counties. Some sundry goods for daily use which have not appeared in Changsha's market for many years will also be displayed and on sale at the exhibition. [Text] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 16 Jan 85]

RARE EARTH RESEARCH CENTER--Changsha, 21 Jan (XINHUA)--A center was set up in this capital of Hunan Province today to step up research into the application of rare earths to agriculture. The center, the first of its kind at the provincial level, will serve the whole of south China. Rare earths, a general term for lanthanum, scandium and yttrium, when used to enrich soil, can raise the output of many crops, including rice, tea, sugar cane, tobacco, green vegetables and watermelons. The research started in the early 1970s in China, with Hunan doing the pioneering work, and was listed as a key item during the 1981-1985 5-year plan. Some 333,000 hectares were enriched with rare earths in 1984, resulting in an extra return on crops of 20 million yuan. [Text] [Beijing XINHUA in English 1839 GMT 21 Jan 85]

LOCAL EVERBRIGHT OFFICE OPENED--Wang Guangying, vice chairman of the CPPCC, arrived in Wuhan by air this afternoon. He was greeted at the airport by Tian Ying, Standing Committee member of the provincial CPC Committee and vice governor; Li Wei, chairman of the provincial CPPCC; and (Xin Fu), chairman of Wuhan City CPPCC. Mr Wang Guangying made this special trip here for the opening ceremony of Hubei office of the Beijing Everbright Industries Company. The Beijing Everbright Industries Company is an economic entity which exercises the state's import and export functions, and which implements the independent accounting system. It is also the sole agent of Everbright Industries Company in China. The Hubei office of the company will be open to the public tomorrow. This will actively develop the province's, as well as neighboring provinces', foreign trade business, and economic and technical cooperation with foreigners. [Text] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 19 Jan 85 HK]

JIANGSU TARGETS FULFILLED--Nanjing, 22 Jan (XINHUA)--Jiangsu Province, east China, had fulfilled the main targets of its sixth 5-year plan by the end of last year, one year ahead of time, according to Governor Gu Xiulian. The governor said at a provincial governmental meeting here Monday that Jiangsu's total industrial and agricultural output value reached 97.3 billion yuan in 1984, ranking first in China for the fourth consecutive year. The figure was 17.7 percent more than the target set in the 1981-1985 plan, she added. Industry turned out 67.7 billion yuan and agriculture 29.6 billion yuan. The per-capita income averaged 690 yuan, 49.7 percent up from 441 yuan in 1980, she said. Workers averaged 830 yuan each, and peasants, 400 yuan. The combined industrial and agricultural production of Suzhou, Wuxi, Nanjing, Yangzhou and Nantong cities exceeded 10 billion yuan in value, while those of 22 counties surpassed one billion. [Text] [OW221617 Beijing XINHUA in English 1602 GMT 22 Jan 85]

CSO: 4006/312

ECONOMIC DEVELOPMENT ZONES

BRIEFS

INFRASTRUCTURE CONSTRUCTION IN MAWEI--Fuzhou, 22 Jan (XINHUA)--Construction of 10 infrastructure projects has started in the Mawei economic and technological development zone in Fuzhou City, Fujian Province. Bordering Mawei Port, the 23-square-kilometer zone is open to foreign and overseas Chinese investors. Before 1986, construction will be concentrated on an area of 4.4 square kilometers as the first stage project. The development zone aims at developing electronics, garment and food industries, ship-building, marine fishing and aquatic product processing. The 10 infrastructure projects include reconstructing the highway between Mawei and Fuzhou City, building six roads in the zone, improving communications facilities, expanding a running water plant and erecting universal factory buildings and residential houses. The zone now has drawn attention of both Chinese and foreign businessmen. Since June last year, the authorities there have received more than 2,500 foreign businessmen from the United States, Britain, France and other countries. Representatives from Beijing, Shanghai, Guangdong and 16 other provinces or cities have signed 35 agreements or letters of intent with the zone. [Text] [Beijing XINHUA in English 1632 GMT 22 Jan 85]

CONSTRUCTION IN DALIAN INCREASES--Dalian, 24 Jan (XINHUA)--Three companies have just registered to do business in the economic and technological development zone of Dalian, major northeast China port in Liaoning Province. One is a Dalian-Hong Kong joint venture producing garments, shoes and caps. The other two are Chinese companies producing automatic oil filling and metering machines, copying machines and pop-top cans. They are among 10 factories scheduled to be built this year in the 50-square-kilometer development zone designated for attracting foreign investment. In addition, a number of letters of intent have been proposed and negotiations have started on a number of projects. Dalian is one of the 14 coastal cities authorized to pursue the open policy on a broader scale last year. Work on 3 square kilometers of the zone began last October. Completed were seven roads totalling 20 kilometers in length, 90 percent of the water pipelines, the foundation work for a liquefied gas station and a water-purifying plant, and a flood drainage ditch. Service facilities under construction include hotels and apartment buildings. The whole infrastructure is expected to be completed by the end of this year. [Text] [OW240641 Beijing XINHUA in English 0630 GMT 24 Jan 85]

ZHANGJIANG ECONOMIC DEVELOPMENT ZONE--Guangzhou, 16 Jan (XINHUA)--The Zhanjiang Economic and Development Zone was set up recently in Guangdong Province. The zone will focus on developing food processing, electronics, new equipment and materials, petrochemicals, and shipbuilding and maintenance. It will utilize foreign investment, import advanced technology and equipment and adopt modern management methods. The development zone will be built between Xiashan and Chikan districts in Zhanjiang. Infrastructure facilities are being built. The first phase of the project will cover two square kilometers. [Text] [Beijing XINHUA in English 0647 GMT 16 Jan 85]

SHANGHAI SHOP SPACE--Shanghai, 11 Jan (XINHUA)--Construction of the first group of workshop buildings, located in Ming Hang-hong Qiao development zone in Shanghai, for foreign businesses to purchase and rent was completed here Thursday. Under China's current policy of opening to the outside world, Shanghai, the biggest industrial city in China, specially allocated the zone for businesses with sole foreign investment or Sino-foreign joint ventures. Now roads, telecommunications facilities, drainage, water and power supply systems have been installed in the zone. The workshop buildings covered 11,000 square meters. Another building of 5,000 square meters for trade talks has also been completed. [Text] [Beijing XINHUA in English 1508 GMT 11 Jan 85]

TIANJAN JOINT VENTURE--Tianjin, 16 Jan (XINHUA)--The first joint venture--Jiatai Ceramics Industry Company Ltd.--has been registered in the economic and technological development zone of Tianjin, a major Chinese port and one of the 14 coastal cities further opened to foreign investment last year. This is one of the 30 joint ventures expected to be established this year in the 33-square-kilometer zone in the city's Tanggu District. Construction is under way, and, upon completion by the end of this year, the new company will produce 6,000 square meters of glazed tiles, as well as quarried stone and cutlery, according to project officials. The venture is organized by three companies in Tianjin and Tangshan, in cooperation with a Hong Kong company. Tianjin has reached four other agreements with Japanese and Danish firms in setting up joint ventures to produce carpets, telephone systems, bicycles, printing ink for plastics. Negotiations with foreign firms are ongoing while factories and enterprises are being built. [Text] [Beijing XINHUA in English 0909 GMT 16 Jan 85]

CSO: 4020/87

AGGREGATE ECONOMIC DATA

BRIEFS

HEILONGJIANG'S ECONOMIC TARGETS--According to preliminary statistics made by relevant departments, our province has prefulfilled by 1 year some key economic and production targets set by the Sixth 5-Year Plan. In 1984, the province's total grain output, total afforestation areas, and total aquatic products output reached 35 billion jin, 6.26 million mu, and 51,000 tons respectively, fulfilling the targets of 31 billion jin, 4 million mu, and 51,000 tons set by the Sixth 5-Year Plan. The province's total industrial output value reached (?34.4 billion) yuan, prefulfilling the target of 31.4 billion yuan set by the Sixth 5-Year Plan by 1 year. Among the 52 key products set by the Sixth 5-Year Plan, the province has fulfilled or overfulfilled the output targets of 30 products 1 or 2 years ahead of schedule, including raw coal, crude oil, steel, pig iron, coke, sulphuric acid, synthetic ammonia, chemical fertilizer, tyre, electricity generating equipment, machine tools, vehicle, television set, and chemical fiber, fulfilling the plan by 57.7 percent. Of this, the province has overfulfilled the output target of 45.2 million tons of raw coal set by the Sixth 5-Year Plan by 15.3 percent, the output target of 50.5 million tons of crude oil set by the Sixth 5-Year Plan by 5.7 percent, the output target of (?540,000) tons of steel set by the Plan by 13 percent, and the output target of 28,200 tons of chemical fiber set by the Plan by 26.6 percent. The number of students enrolled in the regular high schools was 18,122, and number of beds in hospitals reached 110,000, overfulfilling the 1985 targets set by the Sixth 5-Year Plan. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 22 Jan 85]

STATE BUILDING ENTERPRISES ACHIEVEMENTS--Beijing, 22 Dec (XINHUA)--As of the end of November, the state building enterprises in cities and rural areas had built housing totaling 42.3 million square meters of floorspace. The output value of their construction work totaled 13.37 billion yuan, which exceeded the entire 1983 by 940 million yuan. [Summary] [Beijing XINHUA Domestic Service in Chinese 1309 GMT 22 Dec 84 OW]

BUILDING MATERIALS PRODUCTION--Beijing, 25 Dec (XINHUA)--China has fulfilled its 1984 production plan for 18 major building materials, including cement and plate glass, ahead of schedule. As of the end of November, China had produced over 110 million tons of cement, which exceeded the entire 1983 output. Plate glass output in January-November 1984 also surpassed the 1983 total output, totalling 42 million standard cases. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1354 GMT 25 Dec 84 OW]

ECONOMIC MANAGEMENT

JINGJI GUANLI ON ENLIVENING LARGE ENTERPRISES

HK170939 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 84 pp 3-5

[Report by JINGJI GUANLI reporter Xu Xiaojia [1776 1420 3773]: "Small Enterprises Are To Be Enlivened, But What About Large Enterprises"--passages within slantlines published in boldface]

[Text] In late August this year, the Chinese Industrial Economics Association and the Industrial Economics Research Institute of the China Academy of Social Sciences jointly invited to a forum on the question of what should be done for large enterprises since small enterprises are being enlivened the responsible comrades of 25 large and backbone enterprises from all over the country including those from the Capital Iron and Steel Complex, Anshan Iron and Steel Complex, Wuhan Iron and Steel Complex, Taiyuan Iron and Steel Complex, Daqing Oilfield, No 1 Automobile Plant, No 2 Automobile Plant, Shanghai Jinshan Petrochemical Company, Beijing Yanshan Petrochemical Company, Shanghai Machine Tool Plant, and Luoyang Bearing Plant. The participants to the forum unanimously held that the ten regulations on further expanding the decisionmaking power of state-run enterprises promulgated by the State Council last May are a major policy decision for enlivening our economy and promoting our urban economic reform. Together with the reform measures of the second phase of the substitution of payment of taxes for delivery of profits, they have added vitality to all the large number of medium-sized and small industrial enterprises in our country. In contrast, taking into consideration the important position of our large and backbone enterprises in our national economy and under the situation that we have not yet carried out an all-round reform of our economic system, these enterprises are still too rigidly controlled. Old problems have not yet been fully solved, but new problems have cropped up and thus these enterprises faced a new challenge.

The enterprise's responsible comrades listed the following difficulties and major problems that our large and backbone enterprises face at present.

/1. Heavy tasks of technological transformation and serious shortage of funds./ Most of our country's large and backbone enterprises were established during the 1950's and the early 1960's. During the 30 years since they were put into operation, they have made very great contributions to the development of the national economy and to socialist construction. However, the technology and equipment in

these enterprises is very poor now, most of which is still at the levels of the 1940's and 1950's. In addition, the equipment has not been renewed in a timely manner, the technology is backward, consumption is excessive, efficiency is low, and the level of precision of the products is poor. This has already seriously impeded the development of new products and the improvement of product quality. Even those enterprises that were newly established in the 1970's will also weaken before they are old, if we fail to carry out renewal and transformation in a timely manner. Therefore, in order to enable these enterprises to make even greater contributions to the realization of our country's magnificent goal to be achieved by the end of this century, we must grasp the development of the all-round technological transformation. However, at present these enterprises seriously lack funds for their technological transformation. For example, the Anshan Iron and Steel Complex needs over 3 billion yuan for the technological transformation projects approved by the state in its Seventh 5-Year Plan. The enterprise is only able to raise 1.28 billion yuan on its own. Taking into account the 200 million yuan provided by the state, there will still be a 1.6 billion yuan shortfall. The causes of this serious shortage of funds are first the low depreciation rate which causes the enterprise to retain a small amount of depreciation funds; and second the low level of profits retained by the enterprise. In particular, since the substitution of payment of taxes for delivery of profits and because of the rate of the regulatory tax is too high (generally over 30 percent), the level of profits retained by the enterprises cannot increase correspondingly with the increase in the demand for funds for technological transformation. On the contrary, it has even dropped for some enterprises. This has seriously aggravated the shortage of funds.

/2. Enterprises have not actually been granted the decision-making powers that they ought to have been granted and they are still relatively strictly fettered./

1) Tasks of mandatory plans continue to constitute a principal part of the production tasks of our large and backbone enterprises. Owing to causes related to our planning system, the targets of the state plans are issued too late and too frequently, and there is no guaranteed supply of raw materials and energy, the shortages of which are relatively serious. Often, there is no guaranteed sales of their products. The targets of the state mandatory plans are often overstated by departments, areas and upper-level responsible departments level by level. As a matter of fact, this deprives the enterprises of the power to sell their extra-quota products on their own. 2) They still have no decisionmaking power in transforming their technology and developing new products. Because of their large scale, high ratio of fixed assets to labor, and complicated technology, our large enterprises have more problems and difficulties than small enterprises do in carrying out technological transformation and developing new products. Therefore, it is more important for us to expand their decisionmaking power. Because a single technological transformation project in a large and backbone enterprise, particularly a metallurgical or heavy chemical industrial enterprise often involve several million or even tens or hundreds of millions of yuan of investment, it needs upper level approval. However, the application procedures are very complicated and take a long time. Sometimes, a scheme that an enterprise has spent a long time in reasoning its feasibility is negated by a few words of a cadre in the leading organization. Some comrades complained that often the relevant departments made uncalled-for administrative interference in the enterprises' efforts to develop new products. For example, Factory A is only allowed to produce automobiles above a certain tonnage and is not allowed to produce automobiles under a certain tonnage while Factory B is restricted by a [word indistinct] regulation. 3) At present, some large and backbone enterprises are provided with the conditions related to their foundation of management



and personnel in carrying out external economic and technological exchanges, but most of them have no power to deal with the outside world. This restricts their work of introducing technology from abroad in many ways.

/3. Heavy burdens of social commitment./ Because large and backbone enterprises are large, they are often forced to incur heavy social commitments. Some enterprises spends hundreds of thousands yuan or hundreds of millions yuan a year to "support" or "help" a countless number of projects.

The participants to the forum held that the above-mentioned problems are not new, but they have indeed brought about new pressure on large enterprises under the situation that medium-sized and small enterprises are generally being enlivened. In particular, since the implementation of the bonus tax system and the policy of allowing personnel to move, small enterprises can attract away the production and technological cadres of a large enterprise by means of offering better salaries and fringe benefits. In this area, large enterprises are not capable of competing with small enterprises and this forms a new threat to large enterprises.

The participants to the forum held that in the face of the above-mentioned new challenge, the leading group and all the staff members and workers in our large and backbone enterprises should further give play to their subjective initiative, give full play to their economic, technological, and managerial strong points, satisfactorily carry out their internal reforms, creatively carry out enterprise consolidation, speed up their technological transformation, and heighten their ability to adapt themselves to changes and their competitive capability. This is a path that our large and backbone enterprises must follow in order to quickly leave a passive position and gain initiative. However, just this is not enough. They all held that in addition to this, the state must implement some special policies toward some of the large and backbone enterprises in light of their important position in our national economy and in light of the actual situation there.

Therefore, the participants to the forum warmly discussed the question of how we are to correctly understand the principle of "controlling major things and relaxing the restrictions relating to minor things." They unanimously held that controlling major things means that the state should satisfactorily grasp macro-economic principles and policies and the major proportional relations in the development of our national economy; while relaxing restrictions relating to minor things means that within the scope allowed by the policies and decrees of the state, our enterprises are given adequate decisionmaking powers in their management, and thus they are enabled to quickly forge ahead toward the goal of modernization free from any fetters. This principle does not mean that we should control large enterprises while relaxing the control over small enterprises. They all held that the state must control major things no matter whether these major things are related to large or small enterprises and should relax its control over all minor things. From the point of view of combining responsibility, powers, and interests, as large enterprises shoulder heavier responsibilities, they should have greater decisionmaking powers.

Through the forum, the participants proposed that the state had to continue to relax its policies and carry out some flexible special policies toward the large and backbone enterprises that have made bit contribution in past years, that

shoulder heavy tasks of technological transformation, that urgently need further development, and that are of a high management level and lack funds for themselves. For example:

/1. It should create certain conditions for enterprises to raise funds for their technological transformation./

1) Since the implementation of the second phase of the reform of substituting payment of taxes for delivery of profits, the state can assign by contracts all-round responsibility for output, output value, or increase in net output value to large and backbone enterprises. It should assign by contracts responsibility for increases in output to the enterprises that produce energy, raw materials, or marketable general products. It can calculate the targets for the rate of annual increase on the basis of the mean of the planned output and value of the 3 previous years and in light of the different conditions in the enterprises. It can assign by contracts all-round responsibility for output value or net output value to the enterprises that produce products with intensive technology. The target for annual rate of increase should also be calculated on the basis of the mean of the planned targets of the 3 previous years. The state's targets of mandatory plans should be directly issued to enterprises in order to prevent them from being overstated level by level. An enterprise is empowered to sell on its own its extra-quota products and the income from the sales should be free of income tax and regulatory tax or be taxed at a reduced rate.

2) The state should implement the policy of exempting taxes on new products for 3 years. An enterprise should retain as its new product development funds all the profits that it has earned on the new products it has developed.

3) It should raise the depreciation rate of fixed assets. In light of the different conditions in our enterprises, we should raise the depreciation rate to 5-7 percent and let enterprises keep all their depreciation funds.

4) The state should implement a policy of reducing or exempting regulatory taxes to different extents for different enterprises in light of the disparity between the amount of the funds needed for the enterprises' technological transformation plans approved by the state and their retained funds and in light of the enterprises' earning capacity.

5) According to different conditions, the loans which are needed by our enterprises to conduct their technological reforms, should be given on favorable terms at reduced interest rates or interest free. The source of funds for our enterprises to repay the principal and interest of the loans should not be confined to the profits of the project that the loan was obtained for.

/2. We should perfect the relationships between the state and the enterprises, and reform the managerial methods in our large and backbone enterprises./

1) We should further expand the powers of our enterprises in planning their production and management. Separate listing is to be allowed for our especially large-scale enterprises. The state only controls their medium-term and long-term plans, while the concrete annual, quarterly, and monthly plans may be arranged by the enterprises themselves and be reported to the next higher responsible

departments for the record. The mandatory production tasks should be made known to lower levels simultaneously with the targets for the supply of raw and processed materials, energy, and so forth and the purchase targets of products, and there should not be any gap between them. If there is any gap, we should allow our enterprises to regard this gap as a task of a guidance plan.

2) According to the production orientation of our enterprises which is approved by the state, or according to the information about social demands which are circulated by the responsible department of the trades, our enterprises have the right of developing their new products independently or jointly.

3) For the products included in our planning, the enterprises have the right to readjust selling prices within a certain limit in accordance with the principle of fixing high prices for products of fine quality; for high-grade, precision, and sophisticated products, the enterprises may appropriately raise the prices; for ordinary products, the enterprises may lower the prices. For extra-quota products, our enterprises have the right to fix floating prices by themselves, but it is necessary for them to inform the relevant department of the basis for their pricing calculation and for the record.

4) Our large and backbone enterprises should be subordinate either to the key cities or to the State Economic Commission. It is imperative for us to implement the practice of single-line administrative leadership. Our large and backbone enterprises should have the power to decide whether or not they join any company or combine.

/3. We should readjust the relationship between the interests of the state, the enterprise, and the staff members and workers and our large and backbone enterprises should carry out in advance reform of their wage system./

1) In our enterprises, the total sum of funds for wages (including the portion of retained profits which is used for bonus payments) should be linked up with the economic results of the enterprises. We can maintain a proportionate relation between the rate of increase or decrease in the total wages and that of the increase or decrease in profit delivery and tax payment. If the profits and taxes increase or decrease by 1 percent, the total wages may increase or decrease correspondingly by 0.7-0.8 percent.

2) After assigning all-round responsibility by contracts for total wages, our enterprises may, under the condition of implementing the state wage policy, fix and establish their own wages and bonus incentive schemes in accordance with their own concrete conditions. The percentage of staff members and workers promoted can exceed the 3 percent ceiling.

/4. We should expand our enterprises' powers of directly handling their external relations./

For the large backbone enterprises which are provided with the necessary conditions, we may expand their powers to export their products and to import equipment, technology, and raw and processed materials. The state should grant these enterprises the power to hold talks with foreigners, to sign contracts, to quote

prices, to settle accounts using foreign exchange, to use their foreign exchange, to send their personnel abroad on tours of inspection, to set up commercial service organizations, and to select their agents abroad.

As for the question of in which large and backbone enterprises, the above-mentioned special policies should be implemented, we propose that the name list of the enterprises be decided by the State Economical Commission together with the State Planning Commission or that we first make experiments in a small number of large enterprises and after gaining some experience, increase the number of such enterprises to a certain extent.

The comrades who participated in the meeting, were all of the opinion that implementing some special policies in a portion of our large enterprises in accordance with the special conditions in our large and backbone enterprises, is not only of direct and practical significance in invigorating our large enterprises, but is also of a decisive significance in promoting the reform of the urban economic system and in enlivening the whole national economy.

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ECONOMIC MANAGEMENT

REPORT ON ECONOMIC, TECHNOLOGICAL COOPERATION

HK161501 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 84 pp 6-9

[Article by Zhao Weichen [6392 4850 5256]: "Push Forward Economic and Technological Cooperation As Well As Support of Corresponding Trades With the Reform Spirit"]

[Text] In Recent Years Economic and Technological Cooperation Has Achieved Great Development Throughout the Country

Both the party Central Committee and the State Council have always paid great attention to economic and technological cooperation work. As early as the end of the 1950's and for the rest of their lives, Chairman Mao and Premier Zhou stressed the problem of economic and technological cooperation between the localities. However, due to the influence of "leftist" guiding thought and various causes in the economic structure, the role of economic and technological cooperation has not been brought into full play. Since the 3d Plenary Session of the 11th CPC Central Committee, readjustment of the national economy has continuously achieved results, the guideline of opening to the outside and enlivening the economy inside has been intensively implemented, and the national economy has displayed an extremely good state of vivacity and prosperity seldom seen before. In order to develop economic and technological cooperation on a nationwide scale, and to enliven the economy, in July 1980 the State Council promulgated the "Provisional Regulations on Promotion of Economic Combines," and in October of the same year promulgated the "Provisional Regulations Governing the Development and Protection of Socialist Competition." In addition, the Central Committee made a decision urging mutual support from the economically developed provinces and municipalities to the minor nationality areas. Subsequently, the organs in charge of economic and technological cooperation and mutual support were clearly designated and the State Economic Commission, the State Planning Commission, and the Nationality Affairs Commission were named as being jointly responsible, with the State Economic Commission taking the lead. Leading comrades of the Central Committee and of the State Council have also repeatedly given directions pertaining to developing economic and technological cooperation work. These decisions and directives have vigorously promoted the development of economic and technological cooperation and mutual support work. In particular, the announcement by the 12th CPC National Congress of the tasks of fulfilling by the end of this century the struggle targets in economic construction and the full-scale creation of a new situation in the socialist modernization program has greatly aroused the enthusiasm of people throughout the country. For the

purpose of realizing the targets set by the 12th CPC National Congress and speeding up the socialist modernization program, economic and technological cooperation activities are being developed on a nationwide scale with a powerful vitalizing force. According to preliminary statistics, in 1983, 8,549 cooperation projects were concluded in the various localities of the country, being an increase of 40 percent compared with the combined total for 1981 and 1982. Of these, technological cooperation projects accounted for over 50 percent, while economic cooperation projects made up about 10 percent. The gross amount of funds involved in the materials cooperation projects was some 4.9 billion yuan. Over 4 billion yuan of funds were involved in the jointly-financed combination projects on mining, road-building, power generation, building materials, and so forth between the localities and certain central government departments such as the Ministry of Coal, Ministry of Water Resources and Electric Power, Ministry of Railways, the National Bureau of Building Materials, China National Nonferrous Metals Industrial Corporation, the Shipping Industrial Corporation, and so forth.

Since the beginning of this year, under the new conditions of reform and opening to the outside, the State Council has promulgated the "Provisional Regulations on Further Extending the Decisionmaking Power of State-run Industrial Enterprises," decided on the further opening to the outside of 14 coastal ports and cities and Hainan Island, and also promulgated the "Law on Autonomy of the Nationality Areas of the PRC." All this has given vitality to economic cooperation in the localities and enabled its scale to expand daily. At present, a new development is seen in both the form and content of economic and technological cooperation work. Generally speaking, there are three main special features: First, gradual transformation from cooperation in materials centering on the means of production, to cooperation in materials which combines both the means of production and the means of livelihood; second, gradual transformation from cooperation mainly in materials to cooperation in technology, taking the cooperation form of an economic combine of a four-in-one nature embracing funds, technology, personnel and materials; and third, gradual transformation of cooperation from a onetime or temporary nature to mutual cooperation relations of a long-term stabilized nature. These special features indicate that economic and technological cooperation has developed to a new stage, becoming an important integral part of the national economic activities. Its sphere of activities is continuously expanding, new cooperation fields are being continuously opened up, and a national horizontal economic network has begun taking shape [phrase indistinct] and technological cooperation is spreading to the whole country and seems to be only just the beginning.

The socioeconomic results of economic and technological cooperation are well known:

1. Making up deficiencies in the state's materials distribution and allocation plan and ensuring the realization of the annual plan. For example, last year, coal produced cooperatively throughout the country amounted to 23.71 million tons (of which 10.7 million tons passed through points beyond railway limits), an increase of 5.62 million tons, on 31.1 percent, over 1982. Last year, the three provinces of Jiangsu, Hubei, and Zhejiang imported through cooperation 14.63 million tons of coal. Computed on the basis that every 100 million yuan of industrial output value consumes 40,000 tons of coal and generates taxes and

profits at the rate of 20 percent, then this quantity of coal imported through cooperation by the three provinces can create 36.6 billion yuan of industrial output value and 7.3 billion yuan of taxes and profits. At present, the volume of coal imported through cooperation by Jiangsu Province makes up 30 percent of the coal supply of the province, 50 percent of the coal supply of districts and cities, and 60-80 percent of the coal supply of the counties. This has played an important role in developing the local economy and meeting the people's livelihood needs. In return for exporting coal through cooperation, Shanxi Province received some 62 categories of materials, valued at 166 million yuan, including 411,000 tons of steel products, 74,400 cubic meters of timber, 68,800 tons of cement, 176 million jin of rice and over 100 million jin of wheat. This has helped to mend the deficits in materials supply, speeded up the steps in technical transformation of Shanxi Province, and improved the people's living.

2. Developing technological cooperation and promoting technological progress. Last year, Shanghai Municipality concluded 510 technological cooperation agreements with its brother provinces and municipalities, an increase of nearly 100 percent over the preceding year. Its investments in opening up resources amounted to over 200 million yuan, an increase of 540 percent over the preceding year. It conveyed equipment, funds, technology and modernized management experiences to the interior. Tianjin Municipality concluded 417 technological cooperation agreements with the interior. Of them, 182 projects have been completed, thus speeding up the technological transformation of enterprises in the interior and improving the economic results. Provinces and municipalities like Shanghai, Jiangsu, and Zhejiang have organized a number of advanced enterprises with the special purpose of introducing experiences and technology into enterprises in corresponding trades which have a low level in management skill and technology, a high consumption rate and large deficits, in Yunnan, Guizhou, Nei Monggol and Shanxi and have reaped notable results. Taking advantage of their superiority in power generation, Ningxia, Gansu and Qinghai cooperated with Liaoning Province, China Shipping Industrial Cooperation, National Nonferrous Metals Industrial Corporation and the State Construction Materials Bureau, jointly financing the establishment of aluminum plants, calcium carbide factories, cement plants, and plate glass plants. This joint production of products which require a high consumption of energy benefits both parties and is beneficial to the state as well.

3. A new breakthrough in counterpart support promotes economic development in the minority nationality areas. In implementing the work of rendering support by the economically developed provinces and municipalities to the minority nationality areas as defined by the central authorities, the counterpart support of provinces, districts and towns has evolved to various forms of long-term and stabilized counterpart support among central cities and towns, counties, trades, and enterprises, achieving notable results. For example, last year, Jiangsu reached 171 counterpart support cooperation agreements with Jiangxi Province and, following efforts made by both sides, 115 of the agreements, or 65 percent, had gone into effect by the end of the year. The despatch by Guangxi Province of personnel for technical training to Jiangsu Province totaled 1,142 instances while lectures were despatched by Jiangsu Province on 391 occasions. Last

September, at the economic and technological cooperation invitation meeting called by the Xinjiang Autonomous Region, 21 provinces, autonomous regions, and municipalities took part and, following negotiations on the basis of equality, mutual benefit, and voluntary participation, the participants concluded 279 economic and technological cooperation projects and formed 10 [word indistinct] of cities, trades, and units for counterpart support. Up to the end of last year, definite arrangements had been made for 96 percent of the projects, and 50 percent of the projects had been organized and put into operation and produced results, thus facilitating Xinjiang's economic development. Likewise, Xinjiang supported its brother provinces and municipalities by sending them wool, cattlehides, cattle, melons and fruits. Last October, comrades of the State Economic Commission and the State Planning Commission, Nationalities Affairs Commission and the United Front Work Department, and of the provinces and municipalities of Sichuan, Zhejiang, Shanghai and Tianjin which jointly organized focal points for counterpart support to Xizang, went to Xiang and concluded 71 economic and technological cooperation agreements in Lhasa. After the initial stage of work, definite arrangements were made for all the projects of which 22 are scheduled for completion in the first half of next year. More recently, the central government has decided to call on 9 provinces and municipalities to further help Xizang in building 43 projects, the major portion of which will be completed early in September next year. In counterpart support, the various democratic parties and cliques and industrial and commercial combines have made active contributions to serving the frontier regions in such phases as answering queries and giving lectures.

In addition, in certain localities such as Yunnan, Hebei, Guangdong and Sichuan, cooperation between localities within the province was developed. Hebei Province, using Shijiazhuang as the center and adopting various forms of organizing economic combines, successively concluded 166 economic and technological agreements with suburban areas, mining areas, and the Huolu, Jingxing, Zhengding and Zhaoxian counties. This has important significance to displaying the technological superiority of cities and towns and enlivening the urban and rural economies.

4. Developing cooperation between talented personnel and accelerating the exploitation of intellectual power. Tianjin Municipality has entered into cooperation successively with 15 provinces, municipalities, and autonomous regions on developing the interchange of personnel and the directional training of specialized personnel on each other's behalf. It traded with 104 higher and specialized institutions of learning some 910 college students for 218 short-line specialized personnel not belonging to any particular trade. This kind of cooperation, without requiring additional investment and equipment, can more speedily meet a part of the urgent demand for short-line specialized personnel not belonging to any particular trade. At the same time, adoption of this method of mutually exchanging the size of recruitment of new students who will eventually return to their original localities for allocation of work can avoid many of the contradictions arising in job allocation. Shanghai Municipality decided to recruit 800 college and specialized students in 1984 from Xinjiang, and undertook to provide directional training for 90 research students, accept 110 teachers for advanced studies, and open seven nationality classes. In addition, some cities have started labor cooperation. Jiangsu Province alone derived an income of 300 million yuan from a year's labor cooperation which extended far north to Heilongjiang and west to Xinjiang.



5. Smoothing out the commodity circulation channels, increasing market supplies, and enriching the people's life. For example, Yunnan and Beijing organized three jointly-run stores and in 7 months organized over 150 kinds of commodities of well-known brands and 2,500 tons of native produce for shipment to Beijing for marketing, which were well received by the people in the capital city. Shanghai and Fujian jointly invested in the "Shanghai Restaurant" in Fuzhou, providing Western food. The total investment amounted to 250,000 yuan—anticipated to be fully recovered in 2 years' time. Tianjin Municipality successively cooperated with Dezhou of Shandong Province, Zhoushan of Zhejiang Province and Nanchong of Sichuan Province in various joint ventures separately handling the refrigeration and processing of beef and mutton, refrigerated storage of fruits, and processing of marine products, thus enriching the supply of subsidiary food products for cities and towns. Economic and technological cooperation is the natural trend in socialist economic development, conforms with the objective needs for developing the social productive forces in the new era of our country, and also meets the needs of realizing the targets of development of the national economy set by the 12th CPC National Congress. Hence, it may be said that economic and technological cooperation and work in counterpart support are hardly provisional measures for a time only. Rather, they constitute a long-term and important policy of the party and the state.

#### Elevate Understanding and Further Promote the Development of Economic and Technological Cooperation

In a talk this March, Comrade Yaobang pointed out: "Certain comrades among us have a narrow interpretation of the policy of opening to the outside. In reality, opening to the outside embodies two meanings: One is opening to outside countries and the other is opening to outside provinces, regions, and districts. In effect, there are two outsides. Only in this way is it possible to effect mutual exchange, mutual facilitation, and enlivening of the economy." Comrade Yaobang's guidance has further deepened our understanding of the policy of opening to the outside. Economic and technological cooperation answer the need for carrying out socialized large-scale production and developing the social productive forces, which is also the demand of objective economic laws. In his analysis of capitalist production and cooperation, Marx had pointed out that cooperation can heighten the social productive forces. Modern industry has an extremely complex economy which carries out a high degree of specialized division of work and cooperation. Not only should the enterprise strengthen cooperation between its own various units, but also between the various localities, between the various departments, between the departments and the localities and even between the various enterprises, it is necessary to have division of work and cooperation. Stepping up this type of economic and technological cooperation is precisely an indispensable condition for ensuring the common development of various sides. However, it is still insufficient to understand, from this point alone, the significance of economic and technological cooperation. It is also necessary to see that stepping up the economic and technological cooperation between the coastal areas and inland and between the urban and rural areas is also the demand for gradually narrowing the gap between industry and agriculture and that between the urban and rural areas. The superiority of our socialist system lies in our ability to insist on the principle of "displaying the strong points, avoiding the weak points, and achieving mutual benefit, mutual aid, and common development," and, through the

measures of economic and technological cooperation and economic combines, to extend and disperse the urban industries to the countryside and combine them with the enterprises in the small towns and villages, thus bringing about a close union between industry and agriculture and between the cities and the countryside, at the same time enabling manual labor in agricultural production to be gradually transformed into mechanized and scientific labor and further elevating the scientific and cultural knowledge of the peasants. This precisely represents the big and strategic measures, which our party has strongly emphasized, of establishing new socialist urban and rural relations with Chinese special characteristics and narrowing the three big gaps. All our comrades engaging in economic work must understand and treat economic and technological cooperation from this high plane. At present, many provinces, municipalities, and autonomous regions are paying high regard to developing economic and technological cooperation work. In some provinces, municipalities, and autonomous regions, the principal leading comrades are personally grasping this work. They take part in its investigation and negotiate and sign agreements for cooperation projects. Various localities in the country have set up economic and technological cooperation structure. Among them, the people's governments of 20 provinces, municipalities, and regions have formed economic and technological cooperation offices with the rank of first-grade departments and bureaus. Some central cities and towns, districts and counties have also set up cooperation organs, designating special personnel to take charge of the work. High regard by the leadership and having special personnel in charge are the key to doing a good job of economic and technological cooperation. Unfortunately, viewed from the country as a whole, the development is still uneven and in certain localities the development is still minimal. We hope that these localities will catch up with the situation as soon as possible and step up this work.

In order to better develop economic and technological cooperation, certain existing problems also need to be studied and solved in real earnest. First, it is necessary to reform those regulations and systems which are disadvantageous to translocality and transdepartmental economic and technological cooperation. Second, it is necessary to strengthen planned guidance from the state. In compiling the yearly plan, large-bulk cooperation materials must be subjected to overall balancing and to unified arrangements and those embodied in the transportation plan must have the assurance of being transported in good time. Third, since at present the various provinces, autonomous regions, and municipalities have all set up management organs for economic and technological cooperation, and have already started work in this connection, the state must strengthen its regulation and guidance, forming a management network which covers the whole country.

#### Insist on Reform and Strive To Create a New Situation of Economic and Technological Cooperation

1. Adroitly guiding action according to circumstances, we must smooth out the various channels to enliven economic and technological cooperation and counter-part support.

An important content of the reform of the economic structure is to change the phenomenon of the demarcation between the localities and the departments and, in accordance with the demands of specialized cooperation and production needs, develop various forms of economic combines; following this, a rational economic network is to be organized, using large cities and towns as support. Development of economic and technological cooperation on a nationwide scale is the direction of the reform and is also a powerful force promoting the reform. Hence, the various localities and various departments must give powerful support to economic and technological cooperation and counterpart support activities, adopt the guideline of adroitly guiding actions according to circumstances and broaden the policies on fixing investment targets, raising funds, collecting taxes, treatment of personnel despatched outward and transportation of material resources, thus further arousing the enthusiasm of various quarters, and promoting and creating a new situation of economic and technological cooperation and counterpart support.

## 2. Strengthening planned guidance.

Following the further development of the reform of the economic structure, these types of horizontal economic activities of economic and technological cooperation and counterpart support will certainly be more extensively developed. This will demand that the various localities, after making an overall survey and analysis of their own economic development and level of production technology, and taking due note of the superior and weak factors of their own localities, plan, in a unified manner, the economic and technological cooperation projects that need to be developed, incorporate them into the local economic and social development plans, and link them up with the national plan. Industries and trades possessing the requisite conditions should consider the compilation of plans for the relevant industries and trade, thus promoting the technological progress of the industries as a whole. Overall departments at various levels must invigorate their guidance and the necessary regulatory work so that the various cooperation activities can all be carried out under the plan, policy, and guidance of the state. At the same time, they should pay due regard to improving the economic results and guard against acting blindly.

## 3. Further extensively developing the interflow of economic technology and the transmission and delivery of information.

With the complexity of production development and economic liaison becoming intensified, the volume of information has also sharply increased. Only by information being sensitive enough and transmitted on time is it possible to effectively guide economic and technological cooperation. Hence, the various provinces, municipalities, and autonomous regions should all strengthen the collection, transmission and delivery of information on economic and technological cooperation. In the meantime, they should actively develop the theoretical study of economic and technological cooperation, enliven thinking, and set up a system of economic theories for their localities. They should organize international exchange of information and study, and learn from foreign experiences to do a good job of economic and technological cooperation.

#### 4. Further strengthening counterpart support.

Extending support and economic and technological cooperation by the economically developed areas to the minority nationality areas denotes the superiority of the socialist system, and is also the duty of the developed provinces and municipalities. We should, adhering to the principle of mutual benefit, take a step further, organize and support the economically developed areas to enter into economic and technological cooperation with the minority nationality areas, and help and facilitate the nationality autonomous regions to improve their economic management level and level in production and technology so as to speedily enrich the people's livelihood in the nationality autonomous areas. This is a long-term task with a bearing on the unity of the nationalities. We must continue to do this job well as demanded by the party Central Committee.

#### 5. Actively opening up new fields in economic and technological cooperation.

First, we should, by means of economic and technological cooperation and counterpart support, prepare the way for developing our great southwest, great northwest, and the frontier regions and for shifting the strategy of national economic construction. Second, we should organize and support the shifting of products and enterprises requiring high energy consumption to areas with a plentiful supply of energy and resources, and should facilitate the rationalization of the geographical distribution of production units. Third, we should actively organize "east-west cooperation," develop bilateral and multilateral economic combines of a developing nature, combine the superiority in capital funds, equipment, technology and management skill in the "eastern" coastal areas with the superiority in resources and energy in the "western" inland areas, speedily form social production forces, and speed up the steps in production and construction. Fourth, coastal cities and towns and the special economic zones opening to the outside should perform well the job of "outward expansion and internal combination," and actively utilize the advantageous conditions of the developed areas to enliven the economy. It is recommended that nationality autonomous regions possessing the requisite conditions should resume the opening of, and newly open up, their ports to carry out trade and economic and technological cooperation with the outside.

6. It is necessary to tightly grasp economic legislation work and to formulate laws and regulations on economic and technological cooperation so as to protect the legitimate interests of the parties concerned.

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ECONOMIC MANAGEMENT

TOWNSHIP-RUN ENTERPRISES INCREASE OUTPUT IN 1984

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[Text] Beijing, 23 Jan (XINHUA)--The total output value of township-run enterprises (including individual enterprises) reached 150 billion yuan last year, according to officials here.

Of this, the output value of enterprises run by townships and villages accounted for more than 95 billion yuan, a 26.5-percent increase over 1983. Such enterprises employed 33 million people, two million more than the previous year.

Peasants in Zhejiang, Shaanxi, Jiangsu, Fujian and Shanxi provinces provided a total of one billion yuan in funds last year for the establishment of township-run enterprises.

In the first half of last year, more than 40,000 enterprises were established in Zhejiang Province with peasant funds.

In Xinjiang, Gansu and Qinghai provinces, and the Inner Mongolia Autonomous Region, township-run enterprises demonstrated rapid development.

Enterprises run by townships and villages in Xinjiang yielded a total output value of 270 million yuan in 1984, a 66-percent increase over the previous year, and ranking first in growth rate in the country.

The officials said township-run enterprises had tended to concentrate on processing and mining industries, as well as the service industries last year.

During the first half of 1984, township-run enterprises throughout the country processed more than 15 million tons of grain.

According to statistics, more than five million peasants engaged in commerce and service trades in 1984.

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ECONOMIC MANAGEMENT

PRC JOURNAL ON LEQYSING OF STATE-RUN ENTERPRISES

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[Article by Zhang Chengquan [1728 2052 2938] and Fang Shu [2455 2562]: "A Probe in to the Leasing of State-Run Enterprises to Collectives and Individuals"]

[Text] The leasing system is a new thing that has emerged in our country's urban economic reform and is a method that is full of vitality in managing our economy owned by the whole people. It involves a relatively large number of problems; quite a few of which should be profoundly studied and probed into on the basis of continuously summing up our experiences. Now we are merely going to give some rough opinions on the emergence, nature and development trend of the leasing system.

Leasing denotes the kind of economic activities in which a lessor, namely, the owner of a specific thing that can continue to maintain its functions after a long time of use rents this specific thing for a certain amount of rent to the lessee and enable the lessee to take possession and use it for a time. In the leasing activities of an enterprise, this kind of specific thing denotes factory premises, machinery, equipment, means of communications for production, and other material means.

At present, two major practices of leasing have emerged in our economic sector owned by the whole people: First, an enterprise owned the whole people leases its surplus or idle fixed assets to others; and second, the state (its responsible departments) leases the enterprise owned by it to collectives or individuals. These two kinds of leasing differ from each other. The former takes place between enterprises and is a practice of the state granting an enterprise the power to dispose of its property and retain the rent income as production development funds for the enterprise. In this case, there is no change in the relations between the state and the enterprise. The latter means a new relation emerges between the state and the enterprise. What we discuss here is the second kind of leasing of an entire enterprise by the state.

The leasing system emerges as we reform the management methods in the enterprises owned by the whole people in our country. This management method is an inevitable outcome of the development of the responsibility system. In 1978, our country carried out experiments to expand the decisionmaking power of its enterprises owned by the whole people and began to reform the management

methods and economic management system in the enterprises owned by the whole people. In the process of substituting payment of taxes for delivery of profits and implementing the contracted management responsibility system in our enterprises, the state has gradually switched from the practice of allowing enterprises to use their assets free of charge into the practice of making enterprises pay for the use of their assets. It has begun to directly or indirectly collect from some enterprises the charges on the use of their fixed assets. This is a form by which the state realizes its rights as an owner of the means of production. What an enterprise pays to the state for the use of its fixed assets becomes the disguised rent that it pays to the state for the possession and use of the means of production owned by the state. Therefore, the contracted enterprise management responsibility system itself already contains the factor of leasing. The leasing system is precisely a logical development of this factor of leasing. It singles out the factor of leasing in the contracted management responsibility system and makes this factor appear more clearly. It is a new form by which the state administers the enterprises which has developed on the basis of the contracted responsibility system.

After the implementation of the leasing system, the state no longer enjoys the direct decision making and management powers over the means of production owned by it on behalf of the whole laboring people. As long as an enterprise does not violate the policies and decrees of the government and as long as it does not break decisions on its production management and its arrangement of the labor force and personnel, and has the power to handle all its horizontal relations. Therefore, the implementation of the system of leasing has radically changed the traditional concept that an enterprise owned by the state must be managed by the state. State ownership is the form of socialist ownership by the whole people in our country. Under socialist ownership by the whole people, the unity of the power of possession, the power of control, and the power to use is fundamental. A socialist economy is an economy that directly combines the means of production with the laborers. Laborers are not only owners of the means of production but also possess, control, and use the means of production. The state, which represents the whole laboring people, does not separate the status of laborers as owners of the means of production from that of laborers as possessors, controllers, and users of the means of production. The conscious and planned control and regulation by the state of macroeconomic activities on behalf of the whole laboring people and its decisions on the distribution of the surplus products of social labor both reflect the unity of the above-mentioned four powers, and are realization of the state's power of ownership, possession, control and use of the means of production.

However, the unity of the "four powers" does not negate the separation of them. The separation of the "four powers" is the condition for the realization of the "four powers." The "four powers" move in the unity of the opposites of "unity" and "separation." An essential characteristic of the socialist relations of production is joint labor and distribution according to labor on the basis of the public ownership of the means of production. The practice of our country and other countries shows that there are two tiers of joint labor. The first tier is the joint labor of the whole society. The form of this tier of joint labor of the whole society. The form of this tier of joint labor in our country

is the exertion by the state on behalf of the society unified leadership and planned control and regulation over social economic activities. The second tier is partial joint labor. Its concrete form is the production management unit--enterprise organization that carries out the activities of production, circulation, or service. The two tiers of joint labor determines the inevitable separation of the "four powers" of the ownership of means of production by the whole people in the process of production. The separation of the "four powers" between the state and enterprises gives rise to their respective economic duties, power and interests. From this we can see that we should not take, in a one-sided manner, the form of state ownership--the ownership by the whole people--as the centralization of the four powers over the means of production inseparably and entirely in the hands of the state or think that the state must directly interfere with the production management activities of the enterprises, take on all these activities or exert a highly centralized management over them.

Therefore, the state must act in accordance with the management objective of surely and satisfactorily carrying out macro management of the national economy and giving a free hand and enlivening micro management, and adopt different management methods in the light of different conditions in our enterprises owned by the whole people. Leasing enterprises by all-round responsibility contracts to collectives or individuals and thus letting them manage the enterprises is a new method of management that has developed on the basis of the contracted enterprise management responsibility system.

Can a socialist enterprise owned by the whole people be leased to others to manage it? This question was expounded on by classic Marxist writers long ago. In his "On Problems Relating to Residential Housing," Engels pointed out: "The laboring people' will become the collective owners of all residential housing facilities, factories, and labor tools. All the residential housing facilities, factories, and other things will not be given to individuals or cooperatives to use free of charge at least in the transition period.... Therefore- the actual owning of labor tools by laboring people will by no means eliminate the practice of leasing." ("Selected Works of Marx and Engels" vol 2, pp 544-545) From Engels' words we can see that during the socialist period, the enterprises owned by the whole people can be leased. As we have switched from the practice of allowing enterprises to use their fixed assets free of charge into the practice of making them pay for the employment of their fixed assets, the conditions for the implementation of the leasing system pointed out by Engels are already been established in our country's economic life as a kind of management made in the economic sector owned by the whole people.

Leasing enterprises owned by the whole people to collectives or individuals is based on the precondition of readjusting the internal relations in the sector owned by the whole people, in particular, the relations between the state and enterprises. Will the nature of the ownership of an enterprise change after it is leased? We are going to discuss this question as follows:

First, will the implementation of the leasing system turn our enterprises into state capitalist enterprises? The method of leasing socialist state's enterprises that are owned by the whole people was adopted in the Soviet Union a



long time ago when it implemented the new economic policy. In 1921, the Soviet Government issued an order on the method of leasing enterprises under the Supreme Council of National Economy. This order allowed the Supreme Council of National Economy and local organizations to lease some of the state-owned enterprises under them to the country's capitalists to manage in order to utilize the economic and technological forces and management experience of the capitalists so as to restore and develop production as soon as possible. Lenin clearly pointed out that this "leasing system" was the same as the "concession system" and was a form of state capitalism. It was a contract, alliance, or union between the socialist state power and state capitalism. The only difference is that in the "concession system," the lessees were foreign capitalists while in a "leasing system," the lessees were domestic capitalists. Under the leasing system implemented in the Soviet Union, the ownership of the means of production remained in the hands of the Soviet State. This was because under state capitalism the enterprise leased could be run entirely in a capitalist manner. The lease relationship reflected the economic relations between the proletarian state and the bourgeoisie at home and inside the enterprises there was confrontation between the bourgeoisie and the working class. The leasing system implemented in our country at present has the following things in common with that implemented in the Soviet Union at that time: When an enterprise is leased, the ownership of the means of production remains in the hands of the state. It differs from that of the Soviet Union in that: 1) The lessees are not capitalists but are managers or laborers in the enterprises. 2) Inside the enterprises, a socialist democratic management system and a system of distribution according to labor is established and there are relations of equality between the lessees and the staff and workers they employ and there is no phenomenon of exploitation. 3) The enterprises are under the marco restriction of the socialist economic system and should obey the policies and decrees of the state and accept the supervision and guidance of the state. In the microeconomic activities of the enterprises, the enterprises' specific interests should be subordinate to the interests of the whole society. 4) The relations of the lease reflect the division of responsibility, power and interests between the state and the enterprises and are the economic relations between the laborers that are associated in a partial area and the state which represents all the laborers. Therefore, the implementation of the leasing system will not turn our enterprises into state capitalist ones.

Second, will the means of production of the enterprise be owned by the enterprise after the enterprise is leased? After an enterprise owned by the whole people is leased, it will continue to be a relatively independent commodity producer and economic entity. Although it enjoys full decisionmaking power in its production and management, its means of production will not be entirely owned by the enterprise. For there is no transference of ownership in leasing activities. "The owner of the means of production--the state--by no means loses the ownership of the means of production that it leases to a certain enterprise. On the contrary, it entirely maintains its ownership." ("Soviet Socialist Economic Problems," "Selected Works of Stalin" p 612) The leases in all areas of our country stipulate that the lessees must be responsible for the integrity of the means of production in the enterprises, should not sell or consign the means of production at will, and should ensure that the equipment is in good condition. At the same time the state receives rent from the lessors and this rent marks the fact that the enterprise does not wholly own its means of production.

Third, will the ownership of the enterprise be changed from the ownership by the whole people into a collective ownership after the implementation of the lease system" Generally speaking, the implementation of the leasing system will not change the ownership by the whole people of the enterprise into collective ownership. However, we should not treat the question summarily if we probe into the reproduction process of the leased enterprise.

In a situation of simple reproduction, the original assets of the leased enterprise which belonged to the state will not undergo any radical change whether in their material or value form. However, the aim of the state in leasing the enterprise is by no means to maintain merely its simple reproduction. After the enterprise is leased, the state will not only refrain from fettering the enterprise, but will also vigorously help the enterprise to renew its fixed assets. For the expanded reproduction in our enterprises is the foundation of the expanded reproduction in our society. We can carry out expanded reproduction in our society by means of setting up new enterprises by the state, in other words, we can follow the path of expanding reproduction by extension. We can also do so by means of enterprises renewing their production tools and improving their technology by themselves and thus expand reproduction by intention. From the point of view of the development trend of the renewal of fixed assets in our enterprises, the more backward the technology, the greater the necessary rate of renewal of fixed assets. In the main, leased enterprises are small enterprises with backward technology. Renewing fixed assets is a necessary demand for raising their economic results, developing new products, and sharpening their competitive edge. If new fixed assets added to those already in an enterprise are purchased by additional funds from the state, naturally, there will be no change in the nature of the ownership of the enterprise. However, if the funds for acquiring additional fixed assets come partially or entirely from the accumulation of the enterprise, this will be a different situation. It will make the means of production inside an enterprise belong both to the state and the enterprise and the portion of the fixed assets that belong to the enterprise is not included in the scope of the lease. As a result, there begins to be partial change in the ownership of the enterprise. Originally the means of production entirely belongs to the state, but now they partially belong to the state and partially belong to the enterprise. The state must encourage the lessees to spend their funds in renewal and transformation and in adopting new technology and developing production in the enterprise.

As for the question of whether or not a leased enterprise will become a collective one, this depends on the desire of the state and the enterprise after the term of the lease expires and on the development of the enterprise during the period of lease. If during the period of lease, the enterprise has used its own funds to acquire new fixed assets which have independent production capacity and there is no need to extend the lease or if the state sells its fixed assets or transfers them to the lessees, the enterprise will change from one owned by the whole people to a collective one. However, the change in the nature of the ownership is not itself a direct outcome of the lease activities, but is a possible outcome after the implementation of the leasing system and is the emergence of a "subordinate enterprises" from the parent enterprise in the process of the development of the leased enterprise. Indeed, the leasing system can become a channel for the emergence of new collective enterprises and will give rise to a new situation in the relations between the two kinds of public ownership in our country.

CSO: 4006/296

## ECONOMIC MANAGEMENT

### INFORMATION REVOLUTION AND POSTAL CONSTRUCTION

Beijing YOUZHENG JISHU [POSTAL TECHNOLOGY] in Chinese No 4, 15 Aug 84 pp 30-31

[Article by Yuan Yiyong [5913 5030 3057]]

[Text] In the world today, the amount of information that is available in society has risen steeply, the information rate of flow has also accelerated and the channels through which the information is transmitted have also grown.

Let us take written information as an example. Two hundred years ago, publications in the world were available in 10 languages. This number grew to 100 by the beginning of the 19th century and further increased to 10,000 a century later; and now it has grown even more to 100,000. As an example, the amount of information that was collected, transferred, stored and handled in all the American government departments in the 1970's by the use of computers or correspondences is a hundred times more than the amount that was dealt with in the 1930's. At present in the world, one book is published every minute and important news is sent around the world within a matter of hours. Apart from the traditional published word and the use of the postal service, other channels for news transmission include the telegram, broadcasting, video tapes, television, and films.

Thus under these circumstances, the question one may raise is whether the future of the postal system will diminish and even die out in this information-oriented society.

#### The Need To Keep Up the Development of the Postal Service in the Information Revolution

Actually, we do not have to worry at all about the postal service dying out, because it has grown from the necessity of information exchange. In other words, to send a letter is to transmit information that is contained in stationery. The postal service is therefore a very important tool of traditional information exchange. Therefore the postal service will continue to be maintained in the future information society. And its advantages are especially apparent when the amount of the information is large.

We can also use the United States as an example to show that the use of the postal service will not diminish. The country is a major economy that is also

in the process of changing from an industrial to an information one. At present, American personnel engaged in informaton work occupy 50 percent of the total work force and the telephone is used frequently by 85 percent of the population (according to March 1982 statistics). The volume that is handled by their postal system amounts to one hundred billion items or an average of 500 per person. Although the postal system has developed to its highest degree in the United States, they are still seeking greater efficiency in their service. For instance, in 1981, the volume of letters that was handled was 107 billion, and in 1982 it increased to 114 billion, thereby doubling the postal volume of China. We can therefore see in its rapid development that the postal service still plays an important role as a channel for much information exchange. This also shows that not only is the postal system a necessity in the information revolution, it will also develop in step with the other means of information exchange.

#### Effects of the Information Revolution on Postal Service

The first effect is that the use of computers in the postal system has enabled the latter to expand its range of services, with "electronic mail" as an example. At the moment, electronic mail is available in several tens of countries around the world, and the total volume that is handled annually reaches over a hundred million. The appearance of electronic mail represents a substantial transformation of the method of transmission in the history of the postal system. It is also a product of the integration of the postal system and the telegram.

The rapid rate of growth of the information society will also increase the demand on the kinds of services that are available through the postal system. The information revolution will transform the whole society into a comprehensive network of information systems. The combined use of the computer with the all-encompassing postal system as well as the data banks will result in the availability of all kinds of services in society. Moreover, the post offices that are scattered throughout the country's urban and rural areas will be equipped with many network terminals and thereby will offer many kinds of services to the people. The postal service will also be able to offer special information services, such as doing accounts and making inquiries for the people. It will also be able to plug into the public information system, thereby making the information resources available to everybody. The post office will also be able to reserve bus tickets for the people.

In this information society, there will both be new advancement and new demands on the traditional roles of the postal service. In the information society, because the rate of dissemination and the consumption patterns are very variable, the links between the material and the transmission of information will necessarily increase. This in turn will lead to an increase in the spheres of activities of the postal service. As an example, in the case of the supermarket that has developed from the principle of concentration, there may come a time when it may be necessary to reduce, then the customers will not have to leave their homes to make their choices of purchases; they are able to instead sit in front of their televisions sets, and make inquiries on

information of the goods at the public information and supply center. Then the customers will therefore be able to freely make their choices and purchases. The purchased goods will afterwards be delivered from such commercial centers to the customers that are nearby and in the case of the ones that are far away or scattered, the postal service will be able to offer their special services.

#### A Task of Top Priority: Strengthening Construction of the Foundation of the Postal System

The construction and development of the postal system is related to the challenge of the new technical revolution and it also therefore depends on utilization of the fruits of the new science and technology. At the moment, in the postal systems of developed countries, working procedures have already been reformed such that there is mechanized loading, a quasi-automatic distribution system, the system of centralized planning, changes in the standardized delivery system, and computer management of the postal system. China does not yet have any of these in its postal system. Therefore, faced with the situation of the new technical revolution, we should reinforce our determination to strengthening the foundation of our postal system.

We should first of all pay close attention to satisfying the new requirements made on the postal service in the villages and market towns. According to the party's economic policies, the goal is to encourage the rapid economic development in the villages and market towns, thereby clearly raising the living standards in those places; as a consequence, the rate of usage of the postal service will also grow rapidly.

Let us take newspapers and magazines as a typical case. By July 1983, the total volume of these publications throughout Guangdong Province reached 10.86 million. Rural subscribers numbered 5.13 million, or 47.68 percent of the total volume. Furthermore, the proportion of individual subscriptions in the villages has also been rising rapidly. According to statistics from Guangdong's Shunde County, individual subscriptions account for 75 percent of the total.

Although the villagers want and need to read their publications on time, our postal service at present can only make deliveries to the production teams and not to the individual households. This contradictory situation must be quickly resolved. However many of the provincial, city and county post offices are applying all sorts of measures and ways to upgrade their quality of service and they have therefore succeeded in gaining preliminary economic results. Furthermore, in Henan Province, a villager even set up his own post office and within a year, subscriptions increased by 6 times, and both the problems of the villagers not being able to get their subscriptions and their having difficulty in receiving their mail have been resolved. In sum, we should note closely the new developments in the villages.

We should also strive to increase the transmission ability in the routing of letters. In order to relieve the serious routing backup in the branches, the inner offices of the postal system are undergoing complete reorganization in

the network after which the whole mailing system will be improved, with separate handling of heavy and light packages, separate categorized rates for regular and express mail, and development of more delivery channels in order to achieve full delivery potential. We should also actively develop the utilization of computers within the postal system so that it will regulate both the planning and the execution of routing, and it will also exercise territorial supervision and control. At the same time, we should also actively explore the potential within the system. For example, we could use a number of powerful special post office cars for use in the branches in delivering mail to moderate distances (of about 500-600 Km); and we could also use some special airplanes for the busy routes. Since some of the villagers are now using airplanes in their agricultural work, why not use them within the postal system?

The mechanization of the postal system should also strongly popularize the use of computers to reduce handling time and to improve work conditions. We have already made some breakthroughs in using computers for the separation, routing, and delivery of packages that we must continue to expand. However our own postal system cannot keep up with or surpass other countries in the systematic planning of postal mechanization, in the selection of equipment systems and the key objectives of mechanization. It is because we have our own national character, models and priorities, and we cannot copy foreign things indiscriminately. Therefore at present, the key objectives of mechanization are to shorten the handling time and improve production, while we should try to quickly improve the situation in the loading and transporting aspects.

An important key is in the training of personnel and the development of human potential. Without a group of people of high quality working within the present postal system it will not be possible to realise its modernisation. However among the ranks working in the system, there is not only a lack of capable people, the administrative structure is irrational, and technical expertise is low. As for technical personnel within the system, there are many workers who design equipment, while only a small number know about the planning and management of the postal system, and hardly anybody has comprehensive technical and professional proficiency. We therefore have to greatly increase in our training of suitable personnel. by using special training at the branches and upgrading the specialization of the cadres. We should also have specialized schools for the postal service. The schools that offer courses in telecommunications should either set up an academic department or special training for the postal system; or hold different kinds of short training courses. We should not try to save money in this aspect. According to the research of certain foreign scholars, the ratio of the money spent on education when compared with the final economic gain is 1:4. Although the validity of this high ratio should be corroborated, a similar ratio no doubt is accurate.

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ECONOMIC MANAGEMENT

BRIEFS

BUILDING MATERIALS INDUSTRY--Beijing, 11 Jan (XINHUA)--Lin Hanxiong, new director of the State Administration of Building Materials, has actively supported the idea of cooperating with all trades and professions in developing the building materials industry since he took office. He and his aides paid visits to many departments around New Year's Day and urged them to join in creating a new situation in the building materials industry. Wu Wenying, minister of the textile industry, warmly greeted the guests from the State Administration of Building Materials. The Ministry of Urban and Rural Construction and Environmental Protection and the State Administration of Building Materials are old neighbors. Lin Hanxiong and Minister Rui Xingwen have agreed to cooperate closely with each other and work out a feasible plan for quickening coordinated development of the building materials and building industries. [Ge Daxing] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0839 GMT 11 Jan 85]

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FINANCE AND BANKING

XINHUA REPORTS NEW PRC ACCOUNTANCY LAW

OW251430 Beijing XINHUA Domestic Service in Chinese 0831 GMT 22 Jan 85

[Text] Beijing, 22 Jan (XINHUA)--The Accountancy Law of the People's Republic of China

Adopted at the Ninth Meeting of the Sixth NPC Standing Committee on 21 January 1985

Chapter I. General Principles

Article 1. This law is enacted for the purpose of strengthening accountancy, guaranteeing accounting personnel the right to perform their duties in accordance with the law, and bringing into play the role of accountancy in safeguarding the state fiscal and financial systems, protecting socialist public properties, strengthening economic management and raising economic effectiveness.

Article 2. State-owned enterprises and institutions, stage organs, social organizations and armed forces must observe this law and regulations and handle accounting affairs, conduct accounting, and exercise accounting supervision in accordance with the provisions of this law.

Article 3. Accounting offices and personnel must observe law and regulations and handle accounting affairs, conduct accounting, and exercise accounting supervision in accordance with the provisions of this law.

Article 4. Leading administrators of various localities, departments and units shall lead the accounting offices and personnel and other personnel in enforcing this law and shall protect the powers and rights of accounting personnel from encroachment. No person is allowed to retaliate against the accounting personnel.

Moral or material rewards shall be given to accounting personnel who seriously enforce this law, are devoted to their duties, and have made noteworthy achievements.

Article 5. The finance departments under the State Council shall supervise the accountancy of the whole country.



The finance departments of the local people's governments at various levels shall supervise the accountancy of the respective localities.

Article 6. A uniform national accounting system shall be enacted by the finance departments under the State Council in accordance with this law.

The finance departments of various provincial, regional, and municipal people's governments; the departments in charge of various affairs under the State Council; and the General Logistics Department of the Chinese PLA may enact separate accounting systems or supplementary regulations for their respective localities, departments, or armed forces and submit them to the finance departments under the State Council for examination and approval or for the record, provided that these systems and regulations do not contradict this law or the uniform national accounting system.

## Chapter II. Accounting

Article 7. The following matters require accounting procedures for purpose of accounting:

1. The transfer of money and negotiable securities;
2. The transfer, the increase or decrease, and the use of properties;
3. The incurrence and discharge of debts;
4. The increase or decrease of funds and the receipt and disposal of expenditures;
5. The computation of income, expenses, and costs;
6. The computation and processing of financial gains;
7. Other matters requiring accounting procedures and accounting.

Article 8. The fiscal year begins 1 January and ends 31 December on the Gregorian calendar.

Article 9. Renminbi shall be the unit in keeping of accounts.

Computations made in foreign currency shall be converted into the equivalents of renminbi for bookkeeping, and the amount of foreign currency and the rate of conversion shall be recorded.

Article 10. Accounting evidence, books, reports, and other accounting materials must be genuine, accurate, complete, and in accord with the provisions of the accounting system.

Article 11. In handling matters provided in Article 7 of this law, it is necessary to produce or obtain original evidence and forward it to the accounting offices without delay.

The accounting offices must verify the original evidence and prepare vouchers on the basis of the verified original evidence.

Article 12. Various units shall prepare accounting codes and books in accordance with the provisions of the accounting system.

Accounting offices shall keep their books on the basis of verified original evidence and vouchers and in accordance with the bookkeeping rules of the accounting system.

Article 13. Various units shall establish a property auditing system to ensure that the goods and the sums of money accord with the record on the books.

Article 14. Various units shall prepare accounting reports on the basis of the record on the books and in accordance with the uniform national accounting system and submit them to the higher supervisory unit, which shall collect all the reports and submit them to the finance departments and other departments concerned.

Accounting reports shall be signed or sealed by the unit's leading administrator, the responsible person of the accounting office, and the personnel in charge of the accounting. Units with a general accountant shall have the reports also signed or sealed by him.

Article 15. Accounting evidence, books, reports, and other accounting materials shall be properly kept in archives to be established in accordance with relevant state regulations.

Regulations on safekeeping periods and destruction of accounting files shall be enacted with the finance departments of the State Council together with other departments concerned.

### Chapter III. Accounting Supervision

Article 16. Accounting offices and personnel of the various units shall exercise accounting supervision of their own units.

Article 17. Accounting offices and personnel shall not accept original evidence that is not genuine and legitimate, and they shall return inaccurate and incomplete original evidence for correction and supplementation.

Article 18. Accounting offices and personnel shall handle discrepancies between records on the books and goods or sums of money in accordance with the relevant regulations, and they shall report the discrepancies to the leading administrator of their unit and request investigation of the reasons for the discrepancies and request handling of the matter if they do not have the authority to handle it themselves.

Article 19. Accounting offices and personnel shall not accept revenues or expenditures that are in violation of the provisions of the uniform national fiscal and financial systems.

Accounting offices and personnel may accept revenues or expenditures that they consider to be in violation of the provisions of the uniform national fiscal and financial systems if the leading administrator of the unit insists that they be accepted. However, the accounting offices and personnel must report the matter in writing to the leading administrator of the higher supervisory unit for handling and report it to the auditing organ. The leading administrator of the higher supervisory unit must make a decision on the handling of the matter within 1 month upon receipt of the accounting offices and personnel's report. The accounting personnel shall also assume responsibility if they fail to report the matter to the leading administrator of the higher supervisory unit.

Article 20. All units must be subjected to the supervision of auditing organs, finance organs, and tax organs in accordance with the law and other pertinent regulations of the state. They should honestly submit their accounting slips, accounting books, accounting reports, and other accounting data, as well as report all facts involved. They must not refuse to submit any reports or attempt to conceal any data or make any false reports.

Accounting offices set up by registered accountants, and which are licensed by finance departments of the State Council or the provincial, autonomous region or municipal people's governments are authorized to conduct auditing business in accordance with pertinent regulations of the state.

#### Chapter IV. Accounting Organs and Accounting Personnel

Article 21. Depending on the needs of accounting work, all units may set up accounting organs or add accounting personnel to their appropriate existing organs. Accounting supervisors may also be appointed. Large- and medium-sized enterprises and commercial establishments as well as their business administration departments may appoint a chief accountant. The post of chief accountant should be filled by someone with a title of accountant or with a more senior title.

Auditing systems should be established within accounting organs.

Cashiers must not engage in auditing, keeping of accounting files, recording of revenue and expenditure, and other accounting work.

Article 22. Major responsibilities of accounting organs and accounting personnel are:

- (1) Conduct business accounting in accordance with stipulations under Chapter II of this law.
- (2) Carry out accounting supervisory work in accordance with the stipulations under Chapter III of this law.
- (3) Formulate practical regulations for the implementation by their own units in carrying out accounting work.

(4) Take part in formulating economic and business plans, and check and analyze the implementation of budget and finance plans.

(5) Handle other accounting businesses.

Article 23. Appointment and removal of accounting personnel should be in accordance with the regulations governing cadre administration. Appointment and removal of responsible persons and supervisors of the accounting department of an enterprise or commercial establishment should be approved in advance by a responsible unit at a higher level. If cases are found in which accounting personnel who have been devoted to their duty and have upheld principles are mistreated, a responsible unit at a higher level should instruct the unit concerned to take action to correct mistakes. A reasonable unit at a higher level should also instruct the unit concerned to replace those who have neglected their duty and have not been able to uphold principles and who are considered unfit to continue their accounting work.

Article 24. Before accounting personnel leave their posts or are transferred, they should properly turn over their work to their successors.

The turn over procedure for general accounting personnel should be supervised by responsible persons of accounting organs or by accounting supervisors. The turn-over procedure for responsible persons of accounting organs and accounting supervisors should be supervised by leading administrators of the unit, or if necessary, be jointly supervised by someone assigned by a responsible unit at a higher level.

#### Chapter V. Legal Responsibility

Article 25. Leading administrators and accounting personnel who violate the accounting regulations stipulated in Chapter II of this law shall be subject to disciplinary action if the offense is considered serious.

Article 26. Leading administrators of a unit, accounting personnel, or other personnel of the unit who are found to have falsified, tampered with, or intentionally destroyed any accounting documents shall be subject to disciplinary action. They will be investigated for criminal liability if the case is considered serious.

Article 27. Accounting personnel who accept original accounting documents that they know are not genuine or are illegal, or who accept managing revenue and expenditures that they know are in violation of the state's unified treasury and finance systems, shall be subject to disciplinary action if the offense is considered serious. Leading administrators of a unit and of the responsible unit at a higher level who decide or insist on handling revenue and expenditures that they know are in violation of the state's unified treasury and finance systems, shall be subject to disciplinary action if the offense is considered serious. Leading administrators of a unit and of the responsible unit at a higher level who decide or insist on handling revenue and expenditures that they know are in violation of the state's unified treasury and finance systems, shall be subject to similar disciplinary action.

Those who cause the state serious economic losses will be investigated for criminal liability.

Article 28. Disciplinary action shall be taken against leading administrators of the responsible unit at the higher level, who, upon receipt of written reports submitted by accounting personnel in accordance with Provision 2 of Article 19 of this law, do not make a decision within the specified period and who are unable to give good reasons for the delay, if the delay has caused serious consequences.

Article 29. Disciplinary action shall be taken against leading administrators of a unit and other personnel of the unit, who are found to have taken retaliatory action against accounting personnel who carry out their duty in accordance with this law. They shall be investigated for criminal liability if their offense is proved to be a serious one.

#### Chapter VI. Supplementary Articles

Article 30. Administrative regulations for the accounting work of urban and rural collective economic organizations will be established separately in accordance with the principles of this law by the State Council's finance departments and other responsible departments concerned.

Article 31. This law will become effective from 1 May 1985.

CSO: 4020/95

FINANCE AND BANKING

COMMENTARY ON 'FACTORY'S INTERNAL BANK' SYSTEM

HK210809 Beijing JINGJI GUANLI in Chinese No 1., 5 Nov 84 pp 40, 52

[Commentary by Zheng Xinli [6774 2450 4539] and Cai Xiaofeng [5591 2556 1496]:  
"A Successful Example of the Perfection of Business Accounting in Industrial Enterprises"]

[Text] The so-called "factory's internal bank" carries the meaning of using the structure and functions of "cash, credit and loans, and settlement" of a national bank and using factory money and a factory's internal transfer checks or vouchers to effect settlement in the relationships arising from the requisition and supply of materials, circulation of unfinished products, and labor cooperation between the workshops, work-teams, and functional offices of a factory. It denotes the development of the internal economic responsibility system of an industrial enterprises. Enforcement of the economic accounting system, though requiring a detailed analysis of the progress of the various technological and economic targets and establishing the relations of contracting and guarantees, still lacks a system of internal settlement which can reflect on time the conditions of fulfillment of the various targets and the internal economic relations of a factory. The "factory's internal bank" solves this problem. It operates on the basis of the economic responsibility and quota of fund appropriations of the accounting units within the enterprise, as determined by the economic responsibility system, and carries out settlement in terms of deposits and loans. Using funds below the quota is entered as a deposit, and if use of funds is above the quota, then a loan must be applied for and interest will have to be paid thereon. Economy in the use of funds and wastage of funds are directly linked with wages and bonuses. The workshop, work-term, and staff member or worker, based on the fixed quota of funds, and using factory money, or by means of the factory's internal transfer checks or vouchers, buy raw materials, subsidiary materials, and semifinished products, and, after due processing, sell the resultant products at a new price to the marketing section or the next work process. Economy in the consumption of raw materials and subsidiary materials will earn a fixed bonus. Loss of raw materials and finished products will result in a reduction of wages and bonus. Substandard products will be subject to a reduction in price, otherwise they will not be accepted for the next work process. Thus, by means of settlement through the "factory's internal bank," the entire production process of an enterprise can be reflected on the same day.

In order to put the "factory's internal bank" in good running order, the enterprise must perform well a series of basic tasks. Such as setting up the internal economic responsibility system of the enterprise. This includes evaluating assets and funds, revising quotas, fixing planned prices within the factory, perfecting the measuring and inspection measures, perfecting original records, and so on. It can thus be seen that in essence the setting up of the "factory's internal bank" involves the process of consolidating the management of the enterprise and an overall strengthening of the basic work of an enterprise.

At the initial stage of promoting the system of the "factory's internal bank," certain comrades believed that this could be easily done in the case of small enterprises but that in the case of large enterprises carrying out continuous production, it would not necessarily be a success. They reasoned that in a large enterprise the production processes are many, the cooperation relations are complex, tens of thousands and even hundreds of thousands of quotas and planned prices frequently have to be fixed, and if all of them are to be entered into the settlement system of the "factory's internal bank," management work would be too loaded down with trivial details. In reality, the larger an enterprise, the more serious is the defect of "everybody eating from the same big pot," the more wastes is incurred, and hence the greater is the need for enforcement of the scheme. Although enforcement of the scheme in a large enterprise is a little complicated, it will not be extremely difficult.

Enforcing the plan of the "factory's internal bank" not only can help in perfecting the economic accounting system of the enterprise but also can bring about a series of changes in the management ideology and management method of an enterprise. Due to defects in the economic management system, for a long time the guiding thought in enterprise management has been centered only in the management of the material production process and has overlooked the management of the process of value formation, and the staff members and workers have entertained a rather light concept of value. This has been an important reason for the low economic results of the enterprises. Enforcement of the system of the "factory's internal bank" demands of the staff members and workers, engaged in each and every business activity in production and technology, that they do some business accounting, know the quantities of inanimate labor and animate labor consumed and the amount of value newly created, and to their utmost to achieve the objective of spending less but producing more. The strengthening of the concept of value reflects a change in the management ideas of the enterprise. It forces the enterprise and each staff member and worker to do some shrewd calculating, not only in the internal affairs of the enterprise but also in the enterprise's relations with the outside, to thus provide the source of improvement in economic results.

In reinforcing control over the process of formation of the value of a product, it is necessary to watch closely the speed of the turnover of funds. Enforcement of the system of the "factory's internal bank" can make the staff members and workers develop a concept of the speed of the turnover of funds. This is another change in the management and control ideas of the enterprise. In the past only a small number of people in an enterprise were concerned with, and paid close attention to, problems such as speeding up the turnover of funds to

improve the economic results and so forth; it was thought that the larger and more complete the quantity of raw materials, spare goods, and spare parts in the warehouse, the better for the enterprise, and even though stockpiling exceeded the accumulation limit it was not considered a defect but a praiseworthy feat. Following enforcement of the plan of the "factory's internal bank," norms are set covering the use and holding up of funds. As a result, the speed of the turnover of funds now affects the high or low level of the profit ratio of funds, making the various accounting units do their utmost to reduce the use and holding up of funds, to speed up the turnover of funds, and to literally to make dead money become live. Since norms have been set for the use and holding up of funds, between the workshops and the production processes utmost efforts are made to achieve balanced production, to avoid the piling up of raw materials and semifinished products within the unit, and to ensure the normal progress of production.

Mobilizing the masses of staff members and workers and enforcing democratic financing constitute the superior conditions in enterprise management in our country and fully demonstrate that in a socialist enterprise the staff members and workers are really the masters. It serves also as a good guarantee for managing an enterprise well. The major form of democratic financing of an enterprise is enforcing three-level economic accounting by the factory, the workshop and the work-team. Although as early as in the 1950's many enterprises had already begun to practice three-level economic accounting, and although in the 1960's some factories in Jilin Province had enforced the system of making internal settlement by means of factory money, unfortunately there was no determination to continue the practice and in reality the practice had not been universally adopted, as very few enterprises had really enforced economic accounting in the workshops and work-teams prior to the institution of the scheme of the "factory's internal bank." The reasons for this were: first, lack of organizational structures and concrete methods suited to enforcing three-level economic accounting; and second, failure to insist on uniting economic accounting with the economic responsibility and economic interests of the staff members and workers. Enforcement of the practice of the "factory's internal bank" provides an integrated organizational structure and a settlement system for organizing and enforcing three-level economic accounting. For each and every workshop and work-team or unit, if settlement is not made according to the regulations, it not only cannot get the materials needed for production but will be unable to move or shift outward its products. If the fruits of labor cannot be realized, the staff members and workers cannot get their remuneration and bonus consistent with the large or small shares of their labor contributions. This makes it necessary to transform the former practice of the cadres doing the accounting and the workers doing the work to everybody taking charge and everybody doing the accounting. Thus, democratic financing will be truly realized.

Enforcing the system of the "factory's internal bank" speeds up the feedback of financial information, thus providing advantageous conditions for the leadership of an enterprise to direct production and to attend to policymaking. Under to the past practice of business accounting, calculating the cost of production of an enterprise and making financial settlements were done on a monthly basis. The financial statements for a month were usually not available



until the first or second 10-day period of the next month. As a result, reflection of the problems that had emerged in the course of production and operation was slow and it was not possible to supervise and control the production and operation processes at all times. With the "factory's internal bank" serving as the central measure for settlement in the entire factory, it is possible to collect on time the various kinds of financial information. This plays an important role in enabling the enterprise to carry out correct policymaking.

CSO: 4006/296

## FINANCE AND BANKING

### BRIEFS

FINANCE WORK TASKS, SUCCESS--At the provincial conference on financial and taxation work which concluded today, Governor Liang Lingguang said: Beginning in 1985, our province will adopt a new financial management system for the prefectures and cities, with distinctions made between different types of taxes, checking and ratifying of revenue and expenditure, contracts for different levels, and no changes for 5 years. The contract system will in general be divided into four types: 1) Guangzhou City will implement the unified national financial management system, with checking and ratifying of base figures, quotas for tax payment to the state, increased revenue at different levels, and no changes for 5 years. 2) Foshan, Jiangmen, Shaoguan, Shantou, Zhanjiang and Maoming cities, which implement the system of city administration of counties, will be regarded as financially first-grade, contractually responsible to the province in a unified way. The cities will determine the financial systems and contract methods for themselves and their counties. 3) Hainan Administrative Region is to be regarded as financially first-grade, contractually responsible to the province in a unified [word indistinct] percent, with an average annual rise of 10 percent. The financial difficulties which appeared some years ago have eased somewhat as a result of the gradual rise in revenue. [Excerpts] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 18 Jan 85 HK]

SHANDONG RURAL INSURANCE WORK--Shandong Province has made rapid development in rural insurance undertakings. A total of 8.9 billion yuan of rural property has been insured. More than 4,000 township- and town-run enterprises in the province have bought property insurance policies, and 135,000 peasant households have bought family property insurance policies. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Jan 85 SK]

HEILONGJIANG PEASANT SAVINGS DEPOSITS--According to statistics compiled by the Heilongjiang Provincial Branch of the agricultural bank, as of 20 December total peasant savings deposits in the province reached 1,003,150,000 yuan, 250 million yuan more than the 1983 figure and a record high. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 27 Dec 84 p 1 SK]

SHANDONG RURAL SAVINGS DEPOSITS--As of the end of 1984, rural savings deposits in Shandong Province totalled 8.78 billion yuan, an increase of 2.35 billion yuan or 36.5 percent over 1983. The per capita savings deposits of the agricultural population were 99.27 yuan. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 13 Jan 85 SK]

GANSU LOANS TO HOUSEHOLDS--In 1984 agricultural banks and credit cooperatives at all levels in the province issued a total of 101.78 million yuan in loans to some 151,700 specialized households and households doing specialized jobs in developing commodity production. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 14 Jan 85 HK]

BANK SUPPORTS ANHUI ENTERPRISES--Hefei, 19 Jan (XINHUA)--The Hefei branch of the Bank of China granted loans of 67.8 million U.S. dollars for technology and equipment imports in Anhui Province last year, 5.5 times more than in 1983, according to local officials here today. The branch, set up in 1978, specializes in hard currency dealings. In the past six years, it provided 90.06 million U.S. dollars in loans for 194 projects in the province, the officials said. [Text] [Beijing XINHUA in English 1622 GMT 19 Jan 85 OW]

PERSONAL INCOMES RISE, SAVINGS SOAR--Beijing, 26 Jan (XINHUA)--China's population of more than one billion each kept an average of 117 yuan in the bank last year, 30 yuan more than the 1983 figure. According to preliminary statistics provided by the People's Bank of China today, total urban and rural savings deposits reached a record 121.47 billion yuan at the end of 1984--32.22 billion more than a year ago. Of the savings, 74 percent were fixed deposits. Some 20.4 billion yuan of the increased amount of the deposits came from urban residents, and the rest from individual peasants. According to statistics, last year, the cash income of peasants from produce sales increased about 16 percent, and their income from labor service jumped 50 percent compared with a year ago. The income of urban workers, including wages and bonuses, increased by about 14 percent in 1984. [Text] [Beijing XINHUA in English 0834 GMT 26 Jan 85 OW]

CSO: 4020/95

MINERAL RESOURCES

BRIEFS

NEI MONGGOL IRON PYRITES--Huhhot, 25 Dec (XINHUA)--The first-stage construction project of Nei Monggol Tanyaokou iron pyrites, one of China's three major iron pyrites bases, was completed and started production on 25 December. This mine is situated in Bayannur League, Nei Monggol, and its confirmed deposits are 72.8 million tons. The annual capacity of the first-stage project is 450,000 tons, which can be processed into 146,000 tons of refined sulfur ore and 50,000 tons of direct, smelting ore. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1452 GMT 25 Dec 84 OW]

CSO: 4006/296

INDUSTRY

LIGHT INDUSTRY MINISTER ON GARMENT INDUSTRY

OW182022 Beijing XINHUA in English 1447 GMT 18 Jan 85

[Text] Beijing, 18 Jan (XINHUA)--Yang Bo, light industry minister said in a speech here today that China's garment industry has a long way to go to meet changing consumer demands.

Addressing a national meeting of garment corporation managers Minister Yang said despite the fact that garment industry output value has doubled in the past 6 years from 5.16 billion yuan in 1978 to 10.5 billion yuan in 1984, the needs of the people both in quantity and variety are not being met. The difficulty in buying clothes in China is a conspicuous problem.

He said that with the improvement of living standards there has been a marked change in consumer demands. People are more particular about what they wear and more people are buying ready-made clothes.

According to a recent survey in 11 cities and 26 rural counties, the proportion of urban residents buying ready-made clothes rose by 3 percent in 1984 to 57 percent, and 26 percent of rural residents who used to make clothes for themselves were buying ready-made clothes. It is estimated that by 1985, about 60 percent of China's city dwellers will be buying ready-made clothes.

Minister Yang said the 8,000 factories under the Ministry of Light Industry produced more than 800 million garments last year, about 80 percent of the national total. Preliminary plans have been made to increase their output value to 50 billion yuan by the end of this century, up from the 8 billion yuan recorded in 1980.

The Ministry will accomplish its aims by upgrading technology in the garment industry. The state has also appropriated 204 million yuan to be granted in low-interest loans over the next 3 years--other efforts include establishing a garment college with an enrollment of 1,500 in Dalian, northeast China.

In order to improve the management of the garment industry, the China Garment Industry Corporation was set up in June 1984. It has now more than 100 branch offices throughout the country.

CSO: 4006/312

INDUSTRY

SHANGHAI TO HOST INTERNATIONAL AUTO SHOW

OW231623 Beijing XINHUA in English 1615 GMT 23 Jan 85

[Text] Beijing, 23 Jan (XINHUA)--More than 150 Chinese and foreign motor vehicle makers will stage a week-long international exhibition this summer in Shanghai, the largest industrial city in China.

Dubbed "Automotive China 85," the international automobile industry exhibition, the first of its kind ever held in China, will last from 3 to 9 July.

Exhibitors will come from 19 countries and regions, and will include Daimler-Benz Ag and Volkswagon Ltd of Federal Germany, General Motors of the United States, Fiat of Italy, Renault of France, Leyland of Britain, Toyota of Japan and Steyr of Austria.

At the exhibition they will show modern cars, trucks, station wagons and minibuses, body components, chassis equipment, electric and electronic equipment, and testing and mechanical equipment.

Spokesmen for the industry here say that Automotive China 85 is a golden opportunity for motor vehicle manufacturers all over the world to introduce themselves to the big market in China, and for the Chinese automotive industry to learn up-to-date know-how and modern international trends.

The exhibition will also help upgrade China's present production standards to the advanced technological level of the 1980s in 1990 by importing technology and equipment.

The exhibition will be jointly sponsored by the Shanghai Sub-Council of the China Council for the Promotion of International Trade and sale exhibitions in Hong Kong.

CSO: 4006/312

INDUSTRY

BRIEFS

BLOOMING MILL COMPLETES TRIAL--Shanghai, 22 Jan (XINHUA)--A large blooming mill has completed trial operation at the massive Baoshan iron and steel complex being built in Shanghai. The mill, the largest of the 22 key projects in the first phase construction of the complex, will produce annually 3 million tons of blooms, billets, slabs and skelps, various shapes and sizes of semi-finished rolled steel. The computerized production line consists of two blooming mills, one shearing machine and six continuous rolling mills. Built with the cooperation of the Japanese Nippon Steel Corporation, the Baoshan complex will eventually produce over 6 million tons of pig iron and the same amount of steel a year. [Text] [Beijing XINHUA in English 0643 GMT 22 Jan 85]

CSO: 4006/312

CONSTRUCTION

BRIEFS

COMMERCIAL HOUSING CONSTRUCTION--Instead of building commercial housing at selected areas, China is developing commercial housing construction in an all-round manner. Since the beginning of this year, 5,300 households have bought and moved into new commercial housing units. The 30 local branches of the China Housing Construction and Development Corporation in such places as Changzhou, Zhengzhou, and Shashi have built a total of 5.82 million square meters of commercial housing units since the beginning of this year, breaking the practice of state monopolizing the construction for workers and staff members and alleviating housing shortage in the cities. [Summary] [Beijing Domestic Service in Mandarin 2230 GMT 13 Dec 84 OW]

CSO: 4006/283



DOMESTIC TRADE

REFORMS IN CHANGSHA SUPPLY, MARKETING SYSTEM NOTED

HK090305 Changsha Hunan Provincial Service in Mandarin 1100 GMT 3 Jan 85

[Text] The Changsha City supply and marketing system carried out reforms in depth last year. The mass basis of the supply and marketing cooperatives has become stronger.

In order to run the supply and marketing cooperatives as cooperative commercial organizations under collective peasant ownership, the system first revived the mass nature of the organization and the democratic nature of the management, and carried out bold reforms. Last year the city's 120 grassroots supply and marketing cooperatives and county-suburban joint cooperatives put the cooperative member congress system on a sounder basis and fully allowed the peasant representatives to exercise their rights as masters of the house. At present 210 peasants have become members of boards of directors and overseers.

The supply and marketing cooperatives have recruited 189 contract workers from among the peasants by applying the process of selecting the best, and these have played a major role in the democratic management of the cooperatives.

While carrying out structural reform in depth, the supply and marketing cooperatives in Changsha City have shifted their work focus from simply providing procurement and sales services to providing comprehensive services for the rural economy, to satisfy the peasants' needs in information, technology, storage, transport, supply and marketing, processing, and so on. They have thus stimulated the development of rural commodity production.

At the congress of members of the Changsha supply and cooperative system held in December, representatives of members and of peasant households put forward over 100 motions regarding reform issues in the system. The city joint cooperative is now gradually handling these motions.

CSO: 4006/304

DOMESTIC TRADE

ADVANCE SALES OF DURABLE CONSUMER GOODS TO BEGIN

OW170758 Beijing XINHUA in English 0711 GMT 17 Jan 85

[Text] Beijing, 17 Jan (XINHUA)--China will start advance sales of durable consumer goods including color television sets, refrigerators, washing machines, motorcycles and cameras in 14 major Chinese cities towards the end of this month, according to the Ministry of Commerce.

Customers may book their orders and pay part of the money half a year in advance and are guaranteed compensation in case of a drop in price.

Trial advance sales of color television sets have been made in Beijing since last November.

The move is aimed at a better arrangement of the market to meet consumer demand, according to an official of the ministry.

Retail sales of durable consumer goods rose sharply in 1984. Compared with 1983, sales of television sets rose 51 percent; tape recorders, 56 percent; electric fans, 53 percent; refrigerators, 200 percent; washing machines, 85.1 percent, and cameras 17.2 percent, according to initial estimates of the State Statistical Bureau.

Despite a sharp increase in production of these items in the past year, consumer demand was far from being sufficiently met, and large quantities had to be imported. This year industrial departments plan to increase production by a wide margin: more than double the production of refrigerators and color television sets, and raise the production of washing machines by over 40 percent, to mention just a few, according to the State Planning Commission.

CSO: 4020/87

DOMESTIC TRADE

BRIEFS

LANZHOU CITY COOPERATION TIES--Since the 3d Plenary Session of the 11th Central Committee, the Lanzhou City CPC Committee and government have taken effective steps to promote economic and technological cooperation. Some leading comrades have taken responsible persons of departments concerned to Beijing, Shanghai, Tianjin, and elsewhere to discuss some major cooperation projects and establish cooperation ties. In addition an economic and technological cooperation network has been formed with five northwestern cities. In the past 1 year and more Lanzhou has promoted economic exchanges with over 20 provinces, municipalities, and autonomous regions; it has imported 45 million yuan in investment and over 30 items of advanced technology. It is also cooperating in 100 projects worth 47 million yuan with central and provincial units in Lanzhou. The city has also launched cooperation with foreign countries. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 18 Jan 85 HK]

CSO: 4006/304

FOREIGN TRADE AND INVESTMENT

RENMIN RIBAO ON OPEN-DOOR POLICY, STRUCTURAL REFORM

HK180317 Beijing RENMIN RIBAO in Chinese 11 Jan 85 p 5

[Article by Ji Chongwei [1323 1504 1218]: "Opening to the Outside World and Structural Reform"]

[Text] At present, the economic structural reform carried out in our country is aimed at building up a socialist economic structure with Chinese characteristics and full of vitality and vigor. In the past few years, not only have we summarized our own historical experiences; we have also absorbed and used for references the advanced operation and management methods of other countries. Judging from this angle, opening to the outside world has promoted the economic reform. If we shut ourselves off from international intercourse and fail to understand the situations, experiences, and lessons of other countries in the world, we cannot possibly have enough courage and wisdom to break through the ossified economic structure pattern which was formed over a long period of time. Judging from another angle, economic structural reform is also the objective need of opening to the outside world; if the ossified structure is not reformed and the internal economy not enlivened, the expansion of economic cooperation and technological exchanges with other countries will be hampered. Therefore, opening to the outside world and the structural reform should complement and supplement each other.

After opening to the outside world, the status of foreign trade in the national economy of our country has become more and more important. In recent years, the foreign trade of our country scored relatively big development, and its work is fruitful. However, in the current management structure of foreign trade formed over more than 30 years, there still exist malpractices like the combination of government and enterprises, assuming general responsibility for profits and losses, everybody eating from the same big pot, the separation of industry and trade and technology and trade, disjointedness of production and marketing, disregard for economic results, and so on, which must be reformed comprehensively and systematically.

The structural reform of foreign trade involves extensive aspects and is relatively complicated. In order to both mobilize initiative in every sector and to take unified actions in dealing with foreign countries, it must be carried out with plans and leadership and step by step. At present, the duties of government and enterprises must be separated and the operational power should be given to the direct bearers of commodity production and commodity circulation--the enterprises--enabling them to fully bring into play their enthusiasms

and initiative in the complicated, changeable, and intensely competitive international market. Regarding those affairs which should be taken care of by enterprises on their own, administrative and management organizations of foreign trade should resolutely release power to enterprises, while they themselves should take good care and have strict control of those affairs within the scope of governmental duties. It is necessary to strengthen the work of investigation and study, information and calculation of the international and internal economic situation, master and carry out the correct principles, policies and rules and regulations, effectively apply economic, administrative and legal means, do a good job in serving enterprises, and promote the development of foreign economic relations and trade. It is necessary to carry out progressively the agency system in import and export trade. Under the system, foreign trade enterprises handle imports and exports procedures on behalf of production and goods-ordering organizations and provide consultative service, while the commissioning organizations are responsible for profit and loss and the foreign trade enterprises levy service charges. The agency system will spur production enterprises to directly participate in imports and exports, to respond swiftly and flexibly to changes in international market, and to improve operation and management, and enable commodities to meet the marketing needs and enhance competitiveness. This system will also spur foreign trade enterprises to tangibly improve their styles of operation and provide production enterprises and consumers with high quality service. The foreign trade setup also involves various structures like planning, revenue and expenditure, tax revenue, pricing, and so on, which all entail concerted and corresponding reforms.

As far as making use of foreign capital, introducing technology, and carrying out international economic and technological exchanges and cooperation are concerned, in the current setup there still exist unsuitable aspects, which need further reform and perfection.

In recent years, special economic zones have on the one hand grasped opening to the outside and on the other grasped reform, promoting opening to the outside world by doing reforms and promoting reforms by opening to the outside world, thus propelling the vigorous development of construction in the special zones. Many experiences in the special zones have already been popularized across the country with excellent results. From now on, certain economic reforms which involve external dealings and have a significant bearing, or certain imported methods of economic management which should be cautiously experimented with, can first of all be tried out in the special zones on a reform and experimental basis. This will not only be conducive to probing new trails, we can also limit those problems which may possibly arise in the experimental process to a given scope. In integrating opening to the outside world with the reform, special zones can be the "forerunner" in the urban structure reform, and can be the "vanguard" of coastal cities in opening to the outside world.

CSO: 4006/304

FOREIGN TRADE AND INVESTMENT

ANHUI RIBAO ON EXTERNAL ECONOMIC EXCHANGE

HK100721 Hefei ANHUI RIBAO in Chinese 14 Dec 84 p 3

[Article by Gao Yongbao [7559 3057 1405] and Zhang Suzhou [1728 5685 3166]:  
"Emancipate the Mind, Create a New Situation in Anhui's External Economic and  
Technological Exchanges"]

[Text] Opening to the outside world is a strategic policy worked out by sizing up the situation for the purpose of speeding up China's socialist modernization. The "Decision of the Central Committee of the CPC on the Reform of the Economic Structure" stresses the necessity of implementing the policy and points out the orientation for further expanding external economic and technological exchanges. At present, "leftist" influence remains the main obstacle to further opening to the outside world. Therefore, the pressing task is to break away from "leftist" ideological trammels, to clear away muddled ideas, and to unify our ideology.

Some comrades do not understand well the nature of special economic zones. They are worried that special economic zones will become "leased territories." They have also confused matters of different natures emerging under different social systems. In old China, leased territories gradually emerged in the course of imperialist aggression against China after the Opium War. They were lopsided products of a semi-colonial and semi-feudal society. "Leased territories" were designated areas in China's commercial ports and cities which imperialist powers forced the Qing Government to lease out. These areas were completely put under the rule of foreigners. They were "countries in a country" in the true sense of the words. Whereas special economic zones are run on the basis of safeguarding China's sovereignty and for the purpose of speeding up China's socialist modernization. They are fundamentally different from leased territories in old China. First, special economic zones are component parts of the PRC territory, over which the Chinese Government exercises complete sovereignty. All foreigners must abide by Chinese laws and decrees and do not have any political privileges. Special economic zones have formed a striking contrast to leased territories, where the country's sovereignty was surrendered under humiliating terms. Second, special economic zones play quite a positive role in utilizing foreign capital, introducing advanced foreign technology, and promoting China's economy. They are completely different from leased territories in old China, which harmed the national economy. Third, leased territories in Old China were "colorful worlds" of capitalists, whereas our special economic zones hold firm

to the four basic principles, persist in building the two civilizations, and resolutely resist all corrosive capitalist ideology. In short, leased territories in old China were a humiliating chapter in modern Chinese history. They will never occur again. Today's special economic zones will never become leased territories.

Some comrades fail to differentiate between the 14 open coastal cities and the "five trading ports" in old China. In fact, these two are fundamentally different from each other. First, they are different in nature. The "five trading ports" were the products of the "Sino-British Nanjing Treaty"--an unequal treaty the British aggressors forced the Qing Government to sign in August 1842, which stipulated that Guangzhou, Xiamen, Fuzhou, Ningbo and Shanghai were open trading ports. In these cities, foreign aggressors enjoyed consular jurisdiction, the right of free warship travel, the right of export, the right of tariff, and the right to dominate religion and culture. Obviously, these are acts arbitrarily treading China's sovereignty underfoot. Whereas opening the 14 coastal cities is a component of China's open-door foreign policy. The preferential treatment in taxation provided for foreign businessmen and the permission granted for the domestic sale of some of the products produced by utilizing advanced foreign technology are based on mutual benefit. Sovereign rights are in our hands. These cities merely implement some special economic policies and exercise a special economic management system. They are not "special political zones" but are still socialist cities under the leadership of the CPC. Second, the purpose is different. The five trading ports opened by the Qing Government were the products of its disgraceful capitulation to the foreign bourgeoisie under the pressure of foreign aggression for the purpose of maintaining its corrupt political power and feudal rule. Whereas the purpose of opening the 14 coastal cities is to serve socialist modernization. This has been carried out under the guidance of Marxist-Leninist theory, by proceeding from China's national condition, and for speeding up the four modernizations. The results are different. After the signing of the treaty on the "five trading ports" and other treaties of national betrayal and humiliation, foreign commodities and capital began to flow into China in large quantities, China's raw materials were plundered, its market was occupied by foreigners, its national industry and commerce became impoverished, and the people suffered the exploitation and oppression by another big mountain. In the end, old China became a semi-colonial and semi-feudal country. Whereas introducing foreign capital and advanced foreign technology to the 14 coastal cities will speed up the economic development of these cities. This will promote the rapid development of the country's economic construction.

Some comrades are afraid that allowing foreign businessmen to run joint-ventures or wholly-owned enterprises in China will lead to capitalist restoration. It is not necessary to worry about this. Insofar as enterprises wholly-owned by foreign businessmen are concerned, they must meet the following requirements: 1) They must be run for a limited time and in a given place, and they only account for a small percentage of the country's economy. 2) They must observe local government management and abide by China's policies and decrees. 3) They must introduce advanced technology and scientific management which is suited to

China's four modernizations. 4) They must enable some of their surplus products to be owned by the socialist state by paying taxes and various use fees. Such wholly-owned enterprises can make up the shortage of funds for the four modernizations, solve the problem of technical and managerial backwardness, and are beneficial to exploiting labor resources and increasing the accumulation in social construction. Joint-venture enterprises are economic integration bodies mainly composed of the socialist economy. They not only possess wholly-owned enterprises' factors which are favorable for the four modernizations, but are also controlled by the socialist economy in the course of production, circulation, distribution, and management. Running such enterprises will not lead to capitalist restoration.

Over the last few years, under the guidance of the open-door foreign policy, Anhui Province has made great progress in carrying out economic and technological exchanges with foreign countries. Its total foreign trade purchases and exports have increased by a large margin. Although Anhui Province was a little late in introducing foreign technology and equipment and utilizing foreign capital, some achievements have been made in this connection. However, we must understand that our province's economic and technological exchanges with foreign countries are just at the initial stage and are still far from being able to meet the needs of the developing situation. Therefore, we must energetically implement the "decision," efficiently speed up the province's work of utilizing foreign capital and introducing foreign technology, and expand the province's economic and technological exchanges with foreign countries.

At present, the main difficulties in our province's economic construction are that funds are insufficient and technological and managerial levels are low. Utilizing foreign capital and introducing foreign technology are important methods for speeding up economic construction. Our province has favorable natural conditions and is rich in mineral resources and resources for agricultural and sideline products. Scenery in our province is unique, so there are bright prospects for developing tourism. But people in foreign countries know little about these rich resources. This has, to a large extent, affected our province's cooperation and contacts with foreign countries. Therefore, it is necessary to energetically carry out propaganda to foreign countries and other provinces on Anhui's superiority so as to enhance Anhui's reputation and expand its influence in the world.

The "decision" emphatically points out that while opening to the outside world, it is all the more necessary for various areas in the country to open to each other. We must conscientiously put this spirit into effect and resolutely open the province to both foreign countries and other provinces by taking flexible measures and using various channels. First, on the basis of equality and mutual benefit, our province should strengthen economic relationships and contacts with friendly countries, international economic organizations, foreign industrial, commercial, financial, cultural, educational, scientific, and technological circles, Overseas Chinese, and fraternal provinces and cities in the country. They should be welcome to run joint-ventures or wholly-owned enterprises, to carry out compensatory trade, cooperative production, and material processing, and to



run various exploitative undertakings in our province. Second, by using various relationships and paying particular attention to bringing into play the role of trade promotion associations, Overseas Chinese associations, and Taiwan compatriots associations, localities and departments should actively carry out contacts with foreign countries, open up all avenues for business, have a wider perception of things, collect information, and do a better job in utilizing foreign capital and introducing foreign technology. Third, we should strengthen contacts with Overseas Chinese and cadres of our province who work in economic departments of other provinces. We should regard them as bridges in building economic channels to foreign countries and other provinces. We should also make good use of the opportunity of receiving foreign visitors so as to carry out trade and economic cooperation with those of them who are financiers, businessmen, and technological personnel.

At present, the situation of opening to the outside world is very good and we have the necessary conditions for opening to the outside world. So long as we resolutely implement the "decision," further emancipate the mind, and boldly carry out reform and create new things, Anhui will certainly usher in a new situation in its economic and technological exchanges with foreign countries.

CSO: 4006/304

FOREIGN TRADE AND INVESTMENT

'CHINATEX' CORPORATION STARTS BUSINESS

OW161003 Beijing XINHUA in English 0912 GMT 16 Jan 85

[Text] Beijing, 16 Jan (XINHUA)--China Textile Raw Materials Import and Export Corporation has begun business, and is inviting domestic and foreign textile companies to get in touch to carry out overseas trade.

An official of the Beijing-based new corporation said today that they were keen to carry out business talks with enterprises at home and abroad. Their aim was to promote trade in raw textiles between China and overseas countries.

"Chinatex" was launched earlier this month, with the approval of the Ministry for Foreign Economic Relations and Trade, to supervise this trade.

It is an independent corporation, responsible for its own profits and losses, and takes over this specific function from the larger, state-run China National Textiles Import and Export Corporation.

The Chinatex official said the corporation would handle the import and export of cotton, wool, chemical fibers and other raw textiles, offer advice to domestic and foreign businesses on trading problems, and help textile enterprises import advanced technology and equipment.

The corporation would also act as agents for registration and application for patents on behalf of foreign enterprises, and for arranging technical and economic exchanges.

He said Chinatex had six departments--cotton, chemical fibers, wool, general business, transportation and finance.

It had set up offices in Japan, the United States and Hong Kong, and had established contacts with more than 50 countries and regions.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

SINO-FRG JOINT VENTURE IN MEATPACKING

Duesseldorf HANDELSBLATT in German 11 Dec 84 p 18

[Article: "China Contract Worth 60 Million Marks; BC Berlin Consult"]

[Text] Berlin--The BC Berlin-Consult Ltd of Berlin has won a contract worth over 60 million marks. The agreement stipulates that BC is to build a slaughterhouse along with a meatpacking plant in Xining in the province of Qinghai in the People's Republic of China.

According to BC, this is the first project of its kind in the People's Republic of China. The processing capacity is to be 500 head of cattle and 6,000 sheep per day; the work is to be performed in two shifts by about 900 workers. The German company was awarded the contract to design and build the plant by the Shaw Feng Zheng Trading Company of Hongkong, which has a joint venture agreement with the Qinghai Agricultural Industrial and Commercial Joint Trading Company of China. Construction time is to be about 2 years.

In the course of orientation talks at which the economic representatives of the People's Republic of China and Hongkong had first been received by treasury senator Gerhard Kunz, they stressed the interest of the People's Republic of China in further developing trade relations with the Federal Republic of Germany and Berlin. Kunz believes that this advance in Asia will help to create a stable basis for business relations.

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CSO: 3620/197

FOREIGN TRADE AND INVESTMENT

SINO-FRG JOINT VENTURE IN COLOR SEPARATION PLANNED

Duesseldorf HANDELSBLATT in German 4 Dec 84 p 13

[Article: "Successful Presence at Trade Fair in Beijing; Dr Eng Rudolf Hell/License Agreement with China"]

[Text] Hamburg--The Dr Eng Rudolf Hell Ltd of Kiel has signed a licensing agreement with the People's Republic of China regarding the construction of its color separation scanner Chromagraph 399 ER.

After a contract with the USSR in 1981, this is the second largest international transfer of know-how on the part of this company, which belongs to the Siemens concern and which occupies a top position in the entire world as a manufacturer of capital goods for the graphics industry.

Unlike the contract with the Soviet Union regarding the construction under license of the Chromagraph DC 350, the agreement with the People's Republic of China initially provides for the shipment of original component parts from Kiel for about 30 complete scanners which will be assembled at the Beijing Scientific Instrument Factory. The first shipments of parts are to be made in the fall of 1985, so that the first scanner assembled in China may be delivered at the beginning of 1986.

At the final assembly of the first two scanners in China, two Hell engineers will supervise the process and conduct the final inspection. After 5 years all individual parts are to be manufactured at the Scientific Instrument Factory in Beijing so that the first scanner built completely in China should appear on the market toward the end of the 80's. The maintenance and operation of the instruments in the People's Republic of China is to be entrusted to Hell representative Jebesen & Co Ltd of Hongkong.

In order for the final assembly of the scanners to be performed expertly, nine Chinese engineers will be going to Kiel for instruction lasting several weeks. Also, 10 more engineers and operators of the Scientific Instruments Factory in Beijing will be trained in the highly modern Hell display center in Hongkong.

The Kiel company says that, in addition to the signing of the license agreement, the first graphics fair in the People's Republic of China was a great success. All of the products exhibited at the fair in Beijing were sold; their total value exceeded DM 5 million.

FOREIGN TRADE AND INVESTMENT

GARMENT CORPORATION STARTS ACCESSORIES BUSINESS

OW180742 Beijing XINHUA in English 0653 GMT 18 Jan 85

[Text] Beijing, 18 Jan (XINHUA)--China's first specialised garment accessories import-export corporation opened here on New Year's day and is inviting domestic and foreign counterparts for business talks.

The Beijing-based corporation now has business ties with dealers and manufacturers in Japan, France, Federal Germany, Britain, the Netherlands, Switzerland and Hong Kong.

General Manager Guan Guanghua told XINHUA today her corporation aimed to boost China's garment trade, which exported over \$US1.8 million worth of garments and knitwear in 1984, about 25 percent more than in 1983.

The corporation will also supply clothing factories with Chinese and foreign accessories and form joint ventures and cooperative enterprises with foreigners to produce and sell accessories.

Guan Guanghua said her corporation would organize technical exchanges between the Chinese and foreign garment trades to improve and diversify Chinese clothing, hold accessories sales exhibitions, help manufacturers import technology and equipment and provide consulting and technical services.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

PRC OVERSEAS ENGINEERING COMPANY SCORES SUCCESSES

HK180651 Beijing CHINA DAILY in English 18 Jan 85 p 1

[Article by staff reporter Zhu Ling]

[Text] China has made major breakthroughs in the booming business of road and bridge-building in foreign countries.

The country's largest overseas road and bridge engineering company is presently designing and preparing to build the Fifth Bridge in Iraq's Mosul City. This is the first time a Chinese firm has undertaken a large-scale bridge construction project overseas.

The project, which will cost about \$90 million is to be undertaken by China Road and Bridge Engineering Company (CRBEC).

Construction will start in mid-March and take 3 years to complete. The bridge will be 765 meters long with nearly three kilometres of approach roads, Lu Qiu, the company's deputy chief engineer, told CHINA DAILY yesterday.

The company has also just won the right to bid for the construction of Hodariyat Bridge in the United Arab Emirates. The project, worth nearly \$200 million, involves more than 3 kilometres of roads with a bridge span of 230 metres.

Seven other companies, mainly from Western Europe, will also bid for the project, Lu said.

A state-run enterprise, the Beijing-based CRBEC with registered assets of 200 million yuan (\$74 million) was set up in 1979. It was formerly the China Highway Construction Company for foreign countries. Last year, it beat stiff international competition to clinch deals worth \$138 million in Rwanda, Iraq, the Arab Republic of Yemen, Kuwait, Burundi, and Tunisia. The deals--involving 13 projects--were valued at \$66 million more than contracts signed in 1983, said Liu Suyang, deputy manager of the company's administrative department.

About 2,500 of the company's employees are currently working overseas, Liu said.

The deputy manager said that the company is expecting a dramatic increase in its overseas business this year.

"We are confident of clinching more deals this year than last year," he said. He revealed that road and bridge construction contracts could be obtained this year in Nepal, Ethiopia, Djibouti, Madagascar and the People's Democratic Republic of Yemen.

Between 1979 and 1984, CRBEC completed 135 road and bridge building projects in seven countries. It built more than 400 kilometres of highway and 4,000 metres of bridge. The 2,800-metre bridge the company built in 1983 in Zambia is the longest in Africa.

CRBEC has 17 domestic branches scattered across the country and seven overseas offices in the Middle East and Africa.

The company has also established cooperative ties with companies in Japan, France, Federal Germany and the United States, Liu said.

CSO: 4020/87

## FOREIGN TRADE AND INVESTMENT

### QINGHAI CONFERENCE ON FOREIGN TRADE, ECONOMIC RELATIONS

HK150613 Xining Qinghai Provincial Service in Mandarin 1100 GMT 12 Jan 85

[Text] Station reporter (Chen Xiuying) learned from the provincial conference on foreign economic relations and trade, which ended on 9 January, that there will be a rapid development in the province's foreign economic relations and trade. The province will strive to achieve the target of \$90 million in this year's total import and export volume. This figure represents an increase of 200 percent over 1984. The province will also achieve a new transformation in such fields as opening up to the outside world, enlivening the domestic economy, and properly reforming the foreign trade system.

The provincial conference on foreign economic relations and trade lasted 6 days. In accordance with the spirit of the relevant instructions of the central leadership on foreign economic relations and trade, the conference pointed out that 1985 will be a year for the province to make rapid development in foreign economic relations and trade. The province must not only achieve a large increase in its total export and import volume, but must also make new developments in foreign economic relations, such as carrying out foreign economic and technological cooperation, contracting for foreign projects, developing labor service cooperation, and receiving multilateral and bilateral free economic aid. In addition, the province must strive to bring about changes in its foreign economic relations and trade in the following five fields:

1. On guiding thinking in business and ideas of business operation, switch from the closed type of natural economy to the open or development type of commodity economy.
2. Switch from the combination of government and enterprise to the separation of government and enterprise so that foreign trade enterprises can truly become independent economic entities.
3. Switch from simply fulfilling purchasing and allocation tasks to doing export business and fulfilling purchasing task using one's own initiative.
4. Switch from fulfilling tasks by relying mainly on administrative means and mandatory planning to enlivening the economy by using economic means and levers.
5. In foreign economic relations and trade, switch from establishing wide connections and negotiations to laying stress on items of production and development.



The conference also raised demands on resolving problems of insufficient information about economic relations and trade and insufficient talented people in the province, and hoped that foreign trade departments at all levels in the province would firmly grasp the work of establishing information networks and would cultivate talented people who understand policies, who are proficient in professional knowledge of foreign economic relations and trade, and who have mastered foreign languages, to meet the needs of the province's economic relations and trade.

Huang Jingbo, secretary of the provincial CPC committee and provincial governor, Han Fucai, provincial vice governor, and (Liu Shucui), advisor to the provincial government, delivered speeches at the conference.

CSO: 4006/304

FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE AND INVESTMENT IN SHANDONG PROVINCE RISES

Shandong Foreign Trade

Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Jan 85

[Summary] Shandong Province made great progress in foreign trade in 1984. In 1984, the province overfulfilled the state-assigned export trade plan by 38.5 percent, an increase of 26.7 percent over 1983.

Shandong Foreign Investment

OW191953 Beijing XINHUA in English 1845 GMT 19 Jan 85

[Text] Jinan, 19 January (XINHUA)--Shandong Province signed contracts on 106 projects worth 195 million U.S. dollars last year, 11 times more foreign investment than in 1983.

It also signed 256 contracts on 630 million U.S. dollars in technology and equipment imports, an increase of 300 percent.

In the past several years, Shandong has imported equipment to upgrade its textile factories and light industry.

In 1984, the province began giving priority to agriculture, commerce, building materials and fish farming.

CSO: 4020/90

FOREIGN TRADE AND INVESTMENT

BEIJING EXPANDS FOREIGN TRADE, ECONOMIC TIES

OW230236 Beijing XINHUA in English 0217 GMT 23 Jan 85

[Text] Beijing, 23 Jan (XINHUA)--The volume of Beijing's exports last year amounted to \$US626 million, topping its annual quotas by 24 percent.

Addressing a meeting on the city's economy and trade yesterday, Yu Xiaosong, director of the municipal committee for external economic relations and trade, said the city last year approved 31 joint Chinese-foreign ventures and co-managed enterprises, more than total the number of such projects for the preceding 5 years. They involved a total investment of \$US190 million.

These joint ventures and co-managed enterprises include the Beijing Shangri-la Hotel, the Beijing Foodstuffs and Drinks Corporation, and the Beijing Sanyo Electronics Co. Ltd, he said.

Last year the capital signed 336 contracts with overseas interests, involving a total investment of \$US291 million--2.4 times the figure for the whole of 1983, he said. They included a set of equipment for manufacturing a million refrigerators a year and a production line with an annual capacity of 220,000 color TV sets.

About 7,500 foreign business people came to the city for negotiations or transactions last year, he added.

Mayor Chen Xitong called for further expansion of the city's trade, technology imports and utilization of foreign capital. Among the import items, stress would be placed on foods, textiles, electronics, building materials and other light industries, he said.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

GUIZHOU PLANS 1985 FOREIGN, DOMESTIC INVESTMENTS

OW211310 Beijing XINHUA in English 1244 GMT 21 Jan 85

[Text] Guiyang, 21 Jan (XINHUA)--Guizhou Province plans to use \$US100 million of foreign investment and 100 million yuan of domestic funds in 1985 for its economic development, said Governor Wang Chaowen here.

Wang pointed to Guizhou's rich fauna, flora, mineral and energy resources and its 93.4 percent unutilized water resources.

During the Seventh 5-Year Plan (1986-1990), Wang said, the province plans to use \$US400 million of foreign investment and 400 million yuan from other provinces.

This is to exploit coal, lead, zinc and antimony and develop abrasives, paper, leather and building materials industries as well as communications, hydro-electricity, tourism, agriculture and commerce.

Investors and cooperators will be given preferential treatment, said Wang.

Guizhou, he added, had signed contracts for 21 projects in 1984 with investors from abroad, Hong Kong and Macao.

According to local officials, the Caritas Veritas group of companies in Hong Kong will help the province develop its ethnic minority areas.

They have agreed on a jointly managed manganese project in Songtao County and compensation trade marble quarries in Taijiang and Qinglong Counties.

CSO: 4020/87

## FOREIGN TRADE AND INVESTMENT

### LIAONING PORTS LEAD IN FOREIGN EXPORTS

OW181338 BEijing XINHUA in English 1322 GMT 18 Jan 85

[Text] 18 Jan (XINHUA)--Goods worth \$US5,040 million were exported through ports in Liaoning Province last year, 28.6 percent more than in 1983 and putting the province in the leading position in the country.

Most of the goods were exported to Japan, the United States and Hong Kong, according to local officials.

Last year, goods worth \$US2.6 billion were shipped to Japan, 12.7 percent up from 1983; \$US740 million worth of goods to the United States, 80.6 percent up; and \$US300 million worth to Hong Kong, equal to 1983's figure.

The amount of petroleum products exported in 1984 was 35.6 percent more than in 1983. Included were the amount of crude oil up by 42.7 percent and refined oil by 16.4 percent. The amount of goods exported last year including grain, edible oil, textiles, native products, animal by-products, machinery, pharmaceuticals, silk and nonferrous metals registered a 30-percent increase compared to 1983.

In addition to concluding contracts with foreign firms at the China's 1984 spring and autumn export commodities fairs in Guangzhou City, Liaoning sent more than 50 trade delegations abroad to promote sales and invited more than 2,000 business people from 25 countries and regions to Liaoning to hold trade talks.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

SICHUAN GOVERNOR ON TECHNOLOGY, EQUIPMENT IMPORT

OW211700 Beijing XINHUA in English 1650 GMT 21 Jan 85

[Text] Chengdu, 21 Jan (XINHUA)--Sichuan Province, southwest China, will earmark \$US200 million to import items of technology and equipment at international economic and trade cooperation meetings to be held in April this year, Governor Wang Xizong revealed here Sunday.

In an interview with a journalists delegation from Hong Kong, he said 230 import items had been proposed, covering machinery, electronics, textiles and other light industries, agricultural and sideline product processing.

Now foreign and Hong Kong businessmen have begun making contacts with local authorities, and some contracts have already been signed, he noted.

Yang said that the province also plans to import foreign funds for its large construction projects, including a three-million-kilowatt hydroelectric power station and three 900,000-kilowatt thermal power stations.

Following the meetings, he said, the province will open a center for economic cooperation in the United States and send permanent representatives to Japan and some East European countries.

At the same time, corporations will be set up to handle imports and exports, and foreign economic cooperation, he added.

CSO: 4020/87

## FOREIGN TRADE AND INVESTMENT

### PREFERENTIAL TREATMENT TO FOREIGN INVESTORS IN HEILONGJIANG

SK220855 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 21 Jan 85

[Text] On 21 January, the Heilongjiang Provincial People's Government promulgated several regulations in Beijing on preferential provisions offered to foreign investors who establish enterprises in Heilongjiang.

The regulations first expound: preferential treatment in such areas as taxes, markets, price, foreign exchange, and import and export management will be given to those compatriots from Hong Kong, Macao and Taiwan, Overseas Chinese and foreign businessmen who make investments to run enterprises of different kinds in our province. There are 12 preferential provisions in this regard. They are as follows:

Foreign businessmen's legal rights to make investments must be ensured. The joint ventures established with Chinese and foreign capital, Chinese-foreign cooperative enterprises and foreign independent enterprises are regarded as independently operated economic entities. Preferential treatment must be given to them in such fields as the offering of information on resources, energy supply, the arrangement and use of post, telecommunications and transportation, the arrangement of construction areas and capital construction work, the offering of bank loans, and the employment of a labor force.

The preferential provisions stipulated: The joint ventures established with Chinese and foreign capital will be exempted or allowed a reduction from the income tax in accordance with their operation periods. The industrial and commercial consolidated tax will be levied at the lowest rate on them on a reduction in or exemption from the industrial and commercial consolidated tax will be given to them. The materials and facilities imported on a contract basis should be exempted from the official tax and the industrial and commercial consolidated tax of the department in charge of import work. The products by the joint ventures established with Chinese and foreign capital, Chinese-foreign cooperative enterprises and foreign independent enterprises must be sold at reasonable prices both at home and abroad.

A special preferential policy on the construction site expenses must be carried out. The foreign businessmen who make investments to establish production enterprises by 1987 will be allowed exemptions from 3 years' expenses of land uses and a reduction of 10 to 30 percent of the expenses of developing

construction sites. The expenses of land uses will be determined in accordance with different administrative divisions and trades and the number of years the land will be used. The annual expenses of each square meter of land among large- and medium-sized cities will be lower than the neighboring provinces by 20 to 50 percent. This regulation will encourage these enterprises to sell their products on the international markets. The province will adopt comprehensive methods to ensure the remittances of investors' foreign exchange. Special preferential treatment in this regard will be given to Overseas Chinese and compatriots from Hong Kong, Macao, and Taiwan who make investments in the province. The investors are allowed to invite their relatives and friends living in our province to be agents of the enterprises and to arrange jobs for their relatives in the enterprises. Their relatives in rural areas are allowed to settle in the areas where the enterprises are located and to enjoy urban grain coupons. The enterprise managers from other localities should be treated with convenient living conditions.

CSO: 4006/304



## FOREIGN TRADE AND INVESTMENT

### HEILONGJIANG OFFERS PROJECTS FOR FOREIGN COOPERATION

LD211615 Beijing XINHUA in English 1430 GMT 21 Jan 85

[Text] Beijing, 21 Jan (XINHUA)--Northeast China's Heilongjiang Province has designated 110 construction projects for economic and technical cooperation with overseas firms, provincial Governor Chen Lei announced at a press conference here today.

The projects cover exploitation of mineral resources, comprehensive utilization of petroleum, wood and coal, processing of agricultural and sideline products, construction of energy and transportation facilities, transformation of key enterprises, and development of the export products and tourism.

Chen Lei said that the province had formulated special regulations for outside investors, who will be given preferential treatment in respect of tax, marketing, prices and foreign exchange, as well as import and export control.

Overseas firms would be welcome to run joint ventures, coproduction enterprises or sole investment projects, in addition to processing with supplied materials or samples, assembling with supplied parts or conducting compensation trade, the governor said.

In order to provide traders with necessary conditions, Chen Lei said, the province had already set up agencies in Dalian, Qinhuangdao, Guangzhou, Shenzhen and Hong Kong, while continuing to use a (?North) Korean port and the continental land bridge connecting Europe through Siberia to develop trade.

Harbin airport will be put into full operation handling international flights, and other fundamental facilities will also be improved, he added.

Heilongjiang Province, where China's largest oilfield is located, is rich in petroleum, coal, gold, copper, graphite and other mineral resources. Known as "China's granary," it also abounds in soybean, wheat, corn and potatoes. Its timber output accounts for one-quarter of the national total.

In addition, the province has famous scenic spots and summer resorts, such as the Alpine barrier lake, the volcano group renowned as a "showplace of volcano geology," hunting areas and ski traits, all idea for developing tourism.

Over the past 6 years, according to the governor, Heilongjiang has established business relations with more than 1,700 corporations of over 100 countries with foreign firms on setting up new projects or retooling existing enterprises, and introduced 370 items of advanced technology.

Chen Lei disclosed at the conference that Heilongjiang would sponsor an international forum on economic and technical cooperation, and a tendering meeting on technology transfer and import of equipment some time this year. He invited foreign friends, overseas Chinese and compatriots from Hong Kong, Macao and Taiwan to take part.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

HEILONGJIANG EXPANDS FOREIGN ECONOMIC RELATIONS

OW201054 Beijing XINHUA in English 1031 GMT 20 Jan 85

[Text] Beijing, 20 Jan (XINHUA)--Heilongjiang Province concluded agreements on 117 projects with foreign firms in 1984, involving \$US200 million of foreign funds, according to a spokesman for the provincial government.

The spokesman, who is now here to hold a press conference tomorrow, said that the province imported technologies and equipment from a dozen of countries to equip its petrochemicals, machine-building, textile and other industries. The enterprises using imported technology and equipment achieved good economic results.

Heilongjiang has signed agreements with foreign firms on 555 projects, involving more than \$US1 billion in foreign funds over the past few years, the spokesman said.

The province has established economic ties with 1,700 foreign firms in more than 100 countries and regions. It has also contracted for construction projects in nine countries and regions in Asia and Africa. More than 1,000 engineers and technicians are working abroad.

The province has planned to import technologies and foreign funds for 110 more projects this year, including a 700,000-kilowatt thermal power station and a 500,000-volt power transmission line. They will require an investment of 1.2 billion yuan.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

MORE TOURISTS VISIT ZHEJIANG PROVINCE IN 1984

OW231526 Beijing XINHUA in English 1456 GMT 23 Jan 85

[Text] Hangzhou, 23 Jan (XINHUA)--China's garden city, Hangzhou, capital of Zhejiang Province, east China, attracted more than 14 million domestic visitors and 140,000 tourists from foreign countries, Hong Kong and Macao in 1984, according to the provincial tourism department.

The city boasts of picturesque West Lake and a number of scenic spots and historical sites.

In order to cater to the growing number of visitors, tourism service agencies increased from six in 1983 to 60 in the province last year. For the first time in Hangzhou city, four peasants-invested tourism service agencies started business.

These ventures offered new tours, such as a one-day tour of the West Lake and a two-day trip to the Fuchun River, Xinan River and Yaolin Caves. They also took tourists to Huangshan Mountain in Anhui Province, Suzhou City in Jiangsu, and Beijing.

A new hotel was erected near the West Lake and two existing hotels upgraded in Hangzhou, thus increasing tourist accommodation by more than 1,000 beds and improving ventilation, telephone, television and other facilities. Tourism facilities were also put into use in a newly opened tourist resort at Putuo Mountain, one of the four most famous buddhist shrines in China.

In addition, the province hosted 264 international seminars in education, music, sports, fine arts, calligraphy and religion, with delegates from more than 60 countries and regions.

In developing tourism resources, the province has made efforts to protect the environment of scenic spots and renovate some historical places, including a project to build a park after the style of the southern Song Dynasty (1127-1279).

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

HANGZHOU GEARS RENEWAL PROJECT TO TOURIST TRADE

HK170513 Beijing CHINA DAILY in English 17 Jan 85 p 1

[Article by staff reporter Li Huahong]

[Text] Hangzhou has embarked on an ambitious programme to build the city into a first rate international and domestic tourist centre, Mayor Zhong Boxi told CHINA DAILY yesterday.

"We are going all out to boost tourism, improve communications and transportation, upgrade the telephone system, accelerate construction and make the city more scenic," Zhong said. The massive urban renewal project includes moving housing and factories to make way for tourist facilities.

The State Council has designated the city as one of the country's three top scenic spots.

Zhong said that Hangzhou has approved a plan for a "second Qiantang River Bridge" to improve the city's links with the port cities of Shanghai and Ningbo and with Fujian and Jiangxi Provinces. The original Qiantang River Bridge, spanning 1,000 metres, was built in 1937 and is still a key route. Construction of a new bridge will begin this year.

The city is taking charge of a large engineering project to connect China's Grand Canal and the Qiantang River, which flows by the city and empties into the East China Sea. Hangzhou has invested 20 million yuan in the project. Zhong said, adding that its completion next year will greatly enhance water transportation in Zhejiang Province.

Hangzhou also is building more overpasses and widening some highways, Zhong said.

Perhaps the most extensive project involves a city investment of 160 million yuan to rid two local rivers of pollution. Water will be diverted from West Lake and houses along the two rivers will be leveled to build two roads.

To fight pollution, Hangzhou has removed all factories near West Lake and ordered 150 chimneys plugged.

The anti-pollution efforts also include establishment of a gas works, aimed at providing cooking gas for 60 percent of the city's households and all its hotels and restaurants. The city has a population of 1.2 million. The project will start this year.

All buildings along a 3-kilometre section of the lake front have been removed so the area can be turned into gardens.

The city has leveled many more houses in its attempt to give the old city a facelift. In their place, the city plans to build hotels, office buildings for overseas businesses and trade centres.

The State Council last September gave the city extended decisionmaking power enabling it to approve any tourist project, no matter how much foreign investment is involved.

A joint venture with Japan totaling more than \$7 million, the Hangzhou Friendship Hotel, is now under construction and is due to open next year. The city will also build a Yellow Dragon Hotel, which involves \$27 million from the city, Bank of China and a Hong Kong company.

Hangzhou also is considering importing a computer-operated telephone system to triple its present 24,000 lines.

To improve its power supply, the city is installing a generator with an output of 125,000 kilowatts at one of its power plants. The generator will begin operating in 1988.

The state has allocated some money for the city's improvements but Zhong said, Hangzhou will raise most of the investment funds.

The city's total industrial output value last year surpassed 10 billion yuan, placing it among the nation's top 10 industrial producers.

Zhong said the city was giving first priority to developing service industry to help boost tourism.

Yang Zhaodi, vice secretary of the party committee of Hangzhou, said that the city was also planning to improve night-time entertainment for tourists. Dance parties already are held in ballrooms on boats floating on the lake, or in lake-side gardens, he said.

CSO: 4020/87

FOREIGN TRADE AND INVESTMENT

BRIEFS

QINGHAI FOREIGN TRADE--Xining, 23 Jan (XINHUA)--Qinghai Province's total export value in 1984 reached \$US13.9 million, an all-time high. According to vice-director of the provincial department of foreign economic relations, Ma Wenjun, "We did business with over 20 countries and regions, including Japan, the United States, Australia, and Hong Kong last year." He said that the province's more than 100 types of exports include Chinese caterpillar fungus, a rare herbal medicine which is in great demand in the international market. He said that last year the province imported equipment for the energy and transportation industries, medical apparatus, teaching facilities and building materials at a cost of \$US17.28 million, a 67.4 percent increase over 1983. [Text] [Beijing XINHUA in English 1300 GMT 23 Jan 85]

CARPET EXPORTS--Beijing, 21 Jan (XINHUA)--The 11th Chinese carpet fair opened at the Beijing exhibition center here today. On display are more than 1,000 carpets and tapestries. Twenty-three carpet import and export corporations are taking part, according to the fair authorities. China's carpet exports hit an all-time high in 1984, earning more than \$US60 million in sales to the United States alone. Over one-third of the carpets imported to the United States last year came from China. Chinese carpets also accounted for over 80 percent of all rug imports in Japan and Hong Kong. [Text] [Beijing XINHUA in English 0903 GMT 21 Jan 85 OW]

SILK IMPORT CORPORATION--Beijing, 15 Jan (XINHUA)--A national corporation for importing silk materials was set up recently, the China Silk Corporation announced here today. The China Silk Materials Import Corporation will import rayon, nylon filament and polyester filament yarns and other materials needed by the silk industry. It will also import technology and equipment for silk production and set up joint ventures with overseas partners. Domestic Chinese demand for artificial materials has increased recently, sparked by a nationwide vogue for Western-style suits and goose down parkas. Some 85,000 tons of rayon yarns, polyester filament yarns and polyester throw yarns were imported in 1984, a 20-percent increase over 1983. [Text] [Beijing XINHUA in English 1833 GMT 15 Jan 85]

ANHUI TECHNOLOGY, FUNDS IMPORT--Hefei, 18 Jan (XINHUA)--Anhui Province plans to import technology and foreign funds worth 1 billion yuan in 1985 and 1986, about 5 percent of the province's industrial turnovers, according to Vice Governor Zhang Dawei. At a work conference on foreign economic relations and trade this week, he said that the key to Anhui's industrial growth was technical transformation, retooling existing enterprises and upgrading their products, which called for more foreign funds and up-to-date technology. The province intends to import several hundred projects this year and next, major cities will be able to utilize foreign funds and smaller county enterprises will import technology and equipment. Zhang Dawei said Anhui would invite foreign businessmen to a provincial export and technological import fair in April or sometime later. [Text] [Beijing XINHUA in English 0718 GMT 18 Jan 85]

XINJIANG ECONOMIC STUDY GROUP--A Xinjiang economic study group led by Chairman of the autonomous region Ismail Amat met with industrial and business leaders and foreign diplomats in Hong Kong on the afternoon of 17 January. The meeting took place at the Huaren Building. Briefing them on Xinjiang's economic advantages and 103 prospective joint ventures, Ismail Amat said: Xinjiang has abundant energy, mineral, agricultural, and animal husbandry resources. On the basis of equality and mutual benefit, investors will be given preferential treatments in taxation, foreign exchange credit, land utilization fees, raw material supply, labor service fees, ratios of products that can be sold domestically, terms of operation, profit distribution, and establishment of offices in the autonomous region. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 19 Jan 85]

FUJIAN FOREIGN CAPITAL--This year, Fujian has achieved a breakthrough in attracting foreign capital. By the end of 1984, the province had approved foreign contracts involving over \$200 million. This amount exceeds total foreign investments in Fujian over the previous 5 years. Today, over 200 enterprises in Fujian are joint ventures, cooperative projects, or enterprises owned by foreign businessmen. Of these, investment in each of more than 40 projects exceeded \$1 million, and over 120 enterprises are producers of light industrial goods, electronics, construction materials, machinery products, metallurgical products, and chemical goods. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 31 Dec 84 p 1 OW]

TAIWAN COMPANY IN SHANGHAI--Shanghai, 17 Jan (XINHUA)--According to a report in SHANGHAI ZHENGXIE [CPPCC] BAO, the Shanghai Taiwan Trade Company [Shang Hang 0794 5887]--the mainland's first private enterprise financed and run by the Taiwan compatriots--will begin business soon. The Shanghai Taiwan Trade Company will focus on wholesale business, but will also handle retail. It will have an operations department, a Taiwan trade department, a consultation and development department, and a storage and transport department; it will also carry out domestic and foreign trade. The company also plans to run factories to gradually combine industry with trade to produce commodities welcomed by the Taiwan compatriots and to cooperate with merchants in Xianggang in opening Taiwan guesthouses, and Taiwan local and special products stores. Upon hearing of the news that the Taiwan Trade Company will soon start its business, some enterprises in the Shanghai Economic Zone have immediately applied for cooperation with the company to run some joint ventures. Zhejiang's Fenghua County has expressed its wish to enter into joint ventures with the Taiwan Trade Company. It hopes the company will act as a sales agent or commission agent to market the county's traditional handicrafts, and local and special products and to handle their export, as well as organizing Fenghua County tours for overseas Taiwan compatriots. [Text] [Beijing XINHUA Domestic Service in Chinese 0855 GMT 17 Jan 85]



TRANSPORTATION

BRIEFS

GUANGXI BRIDGE OPENING--Nanning, 22 Jan (XINHUA)--A large suspension bridge has opened in the Guangxi Zhuang Autonomous Region. The 250-meter bridge spans that Nanpan River in northwest Guangxi. Its completion will aid construction of a hydroelectric power station on the Nanpan River.  
[Text] [Beijing XINHUA in English 0832 GMT 22 Jan 85]

CSO: 4006/312

HONG KONG MEDIA ON CHINA

SPOKESMAN RELEASES 1984 FOREIGN TRADE FIGURES

HK230354 Hong Kong AFP in English 1444 GMT 22 Jan 85

[Text] Peking, 22 January (AFP)--Foreign investment in China expanded 34 percent last year over 1983 to reach a total of 2.66 billion dollars as Chinese authorities approved the creation of some 700 joint ventures, Huang Wenjun, a spokesman for the Foreign Trade Ministry, said here today. Mr Huang told a press conference that of the 74 wholly foreign companies operating in the country, 26 were established in 1984.

The value of China's foreign trade last year rose to a record 49.97 billion dollars, a spurt of 23 percent over 1983, Mr Huang added. Imports rose 37.8 percent to 25.53 billion dollars while exports were up 10.1 percent at 24.44 billion dollars, leaving a deficit of 1.09 billion. There was a pronounced drop in grain imports, he said, reflecting the country's bountiful harvest last year, while there was by contrast a sharp increase in purchases abroad of high technology, industrial equipment, automobiles, steel and synthetic fibers. China became a cotton exporter in 1984, according to Mr Huang, and saw an increase in foreign sales of cooking oil, agricultural goods and petroleum products.

Mr Huang said China's top four trading partners last year were Japan, Hong Kong, the United States and the European Economic Community (EEC). Trade with Japan was valued at 12.373 billion dollars, a hike of 36.3 percent over 1983, with imports amounting to 7.055 billion dollars and exports 5.318 billion. With Hong Kong, there were commercial exchanges worth 8.54 billion dollars, an increase of 27.7 percent over the previous year. Imports were at 3.18 billion dollars while exports came to 5.36 billion.

Trade between China and the United States also registered a clear improvement, increasing 50.6 percent to 6.065 billion dollars.

China purchased goods worth 3.784 billion from the United States, while selling products valued at 2.281 billion dollars in return.

But with the European Community, trade slumped 8.44 percent over 1983 to 5.459 billion dollars. Imports came to 3.364 billion dollars, with exports valued at 2.095 billion.

Mr Huang attributed the drop partly to the economic crisis affecting Western European countries.

With the Soviet Union, finally, trade shot up 73.3 percent in 1984 to 1.168 billion dollars, Mr Huang said.

He said the value of Chinese industrial and labor contracts with foreign countries amounted to 550 million dollars last year, principally as the result of activity in Iraq, Iran, Algeria, Kuwait and Hong Kong.

He said China was paying the salaries of 47,000 Chinese working abroad under contract.

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HONG KONG MEDIA ON CHINA

TA KUNG PAO ON PEASANTS' ROLE IN TERTIARY INDUSTRY

HK100423 Hong Kong TA KUNG PAO in English 10 Jan 85 p 14

[Yao Cao, associate professor of Economics at the Beijing Normal College:  
"Rural Forces in the Tertiary Industry"]

[Text] In the current Chinese economic reform, the development of tertiary industry is receiving increasingly wide attention. Most notable is the phenomenon of rural people invading the cities to engage in hotel, repair, catering and other service trades.

This is indeed something hard to imagine only a few years back. Inhibited by outmoded ideas, many had long believed the tertiary industry to be anything but materially productive and worthy of extensive development. Even well-known economists viewed it as a borrowed Western concept which should not be allowed to grow unchecked.

China's policy of opening its doors, however, has also opened people's eyes. The fact that 70 percent of the gainfully employed in Western countries are in the tertiary industry has enlightened many minds and made them see its importance to the modernization effort. Now the term is definitely gaining currency as articles on its usefulness appear in magazines and newspapers.

It is only recently that rural participation in urban trades has been encouraged with no strings attached. In some selected cities experiments have been made to prove its viability. The results are all positive.

Peasants in the Handan area of Hebei province, for example, have in the past 7 years polled 57.85 million yuan for establishing a diversity of services to answer urban needs. This sum is more than 5 times that invested by the local government for the same purpose. Another example concerns peasants around Guangzhou, the capital of Guangdong Province, who have so far erected 18 hotels or guesthouses to alleviate the acute shortage of hotel accommodations.

It is anticipated that in response to government sanctions, peasants across the country will overcome all hesitation about going into urban business ventures.

The increasing rural interest in the tertiary industry became apparent as a result of rural economic growth. Thanks to the responsibility system as well as to the diversification of the rural economy, the peasants at large have had their purse well lined. While continuing to engage in rural enterprises, they also apply themselves, and their surplus funds, to more profitable pursuits in the cities.

One example of such pursuits is afforded by Beijing's project to improve its hotel facilities. To expanding its tourist trade the city finally decided, though somewhat reluctantly, to convert some of its well-situated suburban vegetable gardens into hotel sites. The operators of these hotels were recruited from the countryside. These peasant businessmen were pleased to find that the urban hotel business, apart from its lucrative side, also has the advantage of precluding the necessity of pushing the sales of goods or going about in search of materials, as is often the case in running a rural enterprise.

It is recognized that tertiary industry in Chinese cities, large or medium-sized, is woefully backward in comparison with their counterparts in developed countries.

In Beijing's commercial network there are only 49,000 shops of all kinds, less than one-sixth of the figure in Tokyo and the number of business personnel in Beijing is estimated at 384,000 no more than one-fifth of that in the Japanese capital. As to the catering services, the gap is even wider. Tokyo offers upwards of 175,000 eating houses, while Beijing can only boast 5,431.

Considering a daily floating population of some 700,000 in the midst of its millions of permanent residents, it is little wonder that Beijing has long been hard-pressed for adequate dining, repair, or tailoring facilities. But happily, rural forces are arriving on the scene to ease the shortfalls.

Rural activity in the urban economy is highly appreciated for good reasons. It is a fact that construction teams from the countryside can challenge city teams in speed and quality of work in putting up hotels and other facilities. Rural operation of urban trades is never unnecessarily rigid. In wholesaling, for instance, no minimum amount of sales is ever set to discourage the buyer, and in retailing, a purchase is always welcome however small it may be. Rural services of all sorts may be brought direct to the doors of factories or homes. The service of rural vendors are available at all times in the streets and lanes greatly to the convenience of city dwellers. Geared to the law of supply to demand, the price of most rural commodities are quite reasonable.

Furthermore, the agriculture commerce mix is proving to be unbeatable. Eating places operated by rural owners get timely fresh supplies of meats, fowl, eggs or vegetables from the source of production. And on account of their better service these setups often have an edge over their state-run counterparts.

The tertiary industry also serves as an outlet for surplus rural labour. Again in the case of Handan, Hebei Province, as many as 12,000 rural workers

have been employed in urban trades to date. Their total income reached 11.72 million yuan in 1983.

Some policy matters in relation to rural operation of urban businesses remain to be settled. For instance, the habitually time-consuming procedure a prospective rural entrepreneur has to go through to get approval by higher authorities. Such delays should be simplified. Preferential treatment should be accorded to rural operators in such matters as business sites, supply of materials, rentals, taxes and credits. Once these problems are solved, co-prosperity of town and country on the Chinese scene should proceed at an even faster rate.

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HONG KONG ECONOMIC TRENDS

EXPORTS TO PRC UP 79 PERCENT OVER 11 MONTHS

HK140501 Hong Kong HONG KONG STANDARD in English 14 Jan 85 BUSINESS STANDARD  
supplement p 1

[Text] Domestic exports to China, valued at \$9.84 billion, increased by 79 percent between January-November 1984 over the same period in 1983, according to figures released by the Census and Statistics Department yesterday.

Re-exports to China, amounting to \$23.9 billion, increased by 130 percent during the period.

Exports and re-exports to China have been rising since past few months.  
[Sentence as published]

During the 11-month period, Hong Kong's total merchandise trade, valued at \$402,988 million, increased by 34 percent.

Domestic exports rose by 35 percent to \$126,063 million, imports by 29 percent to \$202,440 million and re-exports by 49 percent to \$74,484 million. Domestic exports and re-exports together increased by 40 percent.

Among the commodities exported to China, telecommunications and sound recording and reproducing apparatus and equipment increased by \$1,081 million or 162 percent, textiles by \$422 million or 29 percent, and electrical machinery and parts by \$331 million or 128 percent.

However, decreases were registered for feeding stuff for animals (by \$94 million or 58 percent), and office and stationery supplies (by \$22 million or 78 percent).

Domestic exports to the United States rose by 44 percent in value. Substantial increases were recorded in clothing (by \$7,122 million or 48 percent), plastic toys and dolls (by \$2,118 million or 78 percent) and electrical machinery and parts (by \$1,777 million or 45 percent).

Increases in domestic exports to the United Kingdom were registered for clothing (by \$957 million or 32 percent), office machines and automatic data processing equipment (by \$801 million or 313 percent).

Significant increases were registered in domestic exports to West Germany of clothing (by \$926 million or 24 percent) and office machines and automatic data processing equipment (by \$249 million or 111 percent), and in domestic exports to Japan of clothing (by \$726 million or 59 percent).

Demand for imported goods from China remained strong. Increases were recorded mainly in textiles (by \$4269 million or 55 percent), clothing (by \$2,783 million or 49 percent), textile fibres (other than wool tops) and their wastes (by \$1,141 million or 172 percent).

As for imports from Japan, increases were registered for electrical machinery (by \$2,340 million or 47 percent), and telecommunications equipment (by \$1,602 million or 49 percent).

Increase in imports from the United States were mostly of electrical machinery and parts (by \$1,409 million or 48 percent) and office machines and automatic data processing equipment (by \$959 million or 59 percent).

Meanwhile, decreases were registered in imports from Taiwan of office and stationery supplies (by \$30 million or 35 percent) and in imports from Singapore of watches and clocks (by \$185 million or 38 percent).

However, imports of textiles from Taiwan increased (by \$1,695 million or 47 percent), as did imports of petroleum, petroleum products and related materials from Singapore (by \$631 million or 12 percent).

There were also changes in re-exports to the 10 major markets.

CSO: 4020/89



HONG KONG ECONOMIC TRENDS

BRIEFS

CONTAINER-HANDLING EQUIPMENT--Hong Kong, 17 Jan (XINHUA)--Hong Kong, in cooperation with Federal Germany, has turned out the most advanced container handling equipment in the world, marking a major engineering breakthrough locally. The equipment was delivered today to the Modern Terminal Limited, operators of Hong Kong's largest container port at Kwai Chung. Hong Kong is the world's third largest container port after Rotterdam and New York. The equipment is a man-made compound suspension component, nicknamed the "doughnut." Replacing the older metal spring-coil suspension design, it has steel plates sandwiched inside making for vastly improved stability and shock resistance. Designed and partly manufactured by Peiner Ag of the Federal Republic of Germany, the equipment has also been partly manufactured and totally assembled by the Hong Kong United Dockyards Engineering Limited (HUD). All manufacturing is planned to be completed in the future at HUD Engineering Limited, with supervision from Peiner being steadily reduced, resulting in a significant boost in local high-tech skills. [Text] [Beijing XINHUA in English 1958 GMT 17 Jan 85]

CSO: 4020/91

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